

ORIGINAL

Decision No. 56325

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
DEL ESTE WATER COMPANY, a corporation,
for (1) a certificate that public
convenience and necessity require the
undertaking of service by Applicant in
an unincorporated area in Stanislaus
County, (2) for an order approving a
rate schedule for said area, and (3) for
an order approving and authorizing an
agreement between Applicant and
Randolph Sanders, et al, for service by
Applicant to said area.

Application No. 39190

McCutchen, Thomas, Matthew, Griffiths and
Greene, by A. Crawford Greene, Jr., for
applicant.
W. B. Stradley, for the Commission staff.

O P I N I O N

Del Este Water Company filed this application on July 1, 1957. Public hearing was held before Examiner John Power at Modesto on January 16, 1958. At the conclusion of the hearing the matter was submitted and is now ready for decision.

Del Este Water Company operates a number of public utility water systems in Stanislaus County. At the end of 1957 it was serving approximately 9,000 customers. In the year ending October 31, 1957, it earned 5.66 per cent on its investment, according to testimony of its president. In October of 1957, the company's accountant testified, depreciated utility plant amounted to \$1,151,031.32.

Del Este here seeks a certificate to serve Hillcrest Estates. This tract consists of 69 lots divided into two units of

36 (No. 1) and 33 (No. 2) lots. The total area is about 50 acres. The location is 6½ miles due north of Modesto and is within a mile of the Stanislaus River which, at that point, is the Stanislaus-San Joaquin Counties boundary.

The system in Unit No. 1 is now installed. It consists of a well in which a deep well turbine pump has been installed. The pump, driven by a 20 hp. motor, discharges the water into a 4,000-gallon pressure tank and from there into the mains. The principal mains are of 8-inch diameter pipe; one cross main is 6 inches and the remaining cross mains 4 inches in diameter. All are of dipped and wrapped steel. This system will be separate from the other systems operated by Del Este. The nearest present services operated by the latter are at Salida (5 miles west) and at North Modesto (5 miles south). Facilities to interconnect would be sufficiently costly to burden existing consumers of applicant.

Applicant proposes to extend its present prevailing rate structure to the new subdivision. These rates appear to be reasonable. Such extension will be authorized.

Del Este has entered into an agreement concerning Unit No.2, annexed to the application as Exhibit 2, with the six subdividers which provides the terms respecting advances for construction by said subdividers.

The prospects of Hillcrest Estates are highly speculative. It is intended to be an area for homes of persons above the average in prosperity. The lots are large and the area lies on the west of and adjoining, the Del Rio Country Club. At least three of the six subdividers originally became interested through a desire to live in that location themselves. They still plan to live in Hillcrest Estates.

These subdividers originally approached both Del Este and another experienced water utility operator in the Modesto area. Each of them declined to serve. The subdividers then decided on a mutual water company. Both utilities assisted them in this. Subsequently, on advice of their attorney, they again approached Del Este and this time were accepted on the basis of the agreement. Applicant's president stated that it would not serve without this agreement.

Principally because of the speculative character of this subdivision the Commission will authorize this agreement. Our principal consideration is the protection it will give to the applicant's present consumers, by protecting them from the results of possible speculative losses.

The Commission finds and concludes that public convenience and necessity require that the proposed certificate be granted; that the rates and rules set forth in Del Este Water Company's tariff schedules appear to be reasonable for service to Hillcrest Estates Units Nos. 1 and 2, except as otherwise provided in the order which follows; that the agreement, a copy of which is annexed to the application as Exhibit No. 2, is not contrary to the public interest under the circumstances here existing. The certificate set forth in the following order is granted 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 for any amount of money 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 certificate of public convenience and necessity or right.

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,

1. IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Del Este Water Company, a corporation, to acquire, construct and operate a public utility system for the distribution and sale of water within Hillcrest Estates, Units Nos. 1 and 2 in Stanislaus County.

2. IT IS FURTHER ORDERED as follows:

- (a) Applicant is authorized to apply, after the effective date of this order, its presently effective tariff schedules to the area certificated herein, except for Schedule No. 2, Domestic Flat Rate Service, and Schedules Nos. 4 and 5 (former Sierra View Water Company rates) which rate schedules shall not be made applicable to said area.
- (b) Applicant shall revise, after the effective date of this order, its presently filed tariff schedules, including the tariff service area maps, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules for water service to the area certificated herein, consistent with the authorization hereinabove granted, such revised tariff schedules to be effective on or before the date service is first rendered to the public in the area certificated herein. Such tariff schedules shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
- (c) 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.
- (d) 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 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.

3. IT IS FURTHER ORDERED as follows:

- (a) Del Este Water Company is authorized to carry out the terms and conditions of the agreement attached to the application and identified as Exhibit No. 2 to said application.

(b) Applicant shall file with this Commission within thirty days after the effective date of this order 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.

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 11th day of March, 1958.

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