

Decision No. 57194**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Certificate of  
Public Convenience and Necessity )  
by PACIFIC OAKS WATER CO., a )  
California corporation. )

Application No. 40021  
(Amended)

Richard Macey and Nat Brown, Jr., for appli-  
cant.  
W. Ben Stradley and Sidney J. Webb, for the  
Commission staff.

O P I N I O N

Pacific Oaks Water Co., by its amended application herein, which was further amended in some aspects to conform to the proof following the hearing held May 26, 1958, at Stockton, before Examiner John M. Gregory, requests a certificate of public convenience and necessity to operate a water system in Pacific Oaks Subdivision, within the corporate limits of the City of Stockton.

Authority is also requested to issue \$60,000 worth of capital stock, of the par value of \$10 per share, to Stone Brothers, a copartnership, or to Max Stone and Merrill Stone, individually, for the estimated acquisition costs of the first unit of the system. The total estimated cost of the eight projected units, comprising some 1,145 lots, is \$421,540.25. Construction of additional facilities to serve remaining units of the project is expected to be financed by refundable advances under the utility's main extension rule, and issuance of additional stock in equal proportions to such advances.

Pacific Oaks Water Co., a California corporation, is authorized by its articles of incorporation to acquire, own and operate a public utility water system in Pacific Oaks Subdivision, San Joaquin County. The system is presently being constructed by

M & M Development Company, Inc., an affiliated company. As facilities are installed and completed they will be transferred to the utility corporation, free and clear, in exchange for an equivalent amount of its capital stock.

A pro forma balance sheet, submitted by the utility's representatives in accordance with their proposals as developed at the hearing, is set forth below.

PACIFIC OAKS WATER CO.  
PROJECTED PRO FORMA BALANCE SHEET  
AT MAY 27, 1958

ASSETS

Cash (for operating use)		\$ 6,959.75
Utility Plant (Estimated Cost of Acquisition)		
Land	\$ 2,500.00	
Structures (Pump House and Fences)	2,500.00	
Water Supply		
Well	\$ 3,806.25	
Pump and Tank	18,094.00	
Engineering	<u>1,700.00</u>	23,600.25
Transmission & Dist. Sys.		
Materials & Installation	14,268.92	
Service Connections	5,249.90	
Meters and Boxes	3,290.00	
Instal. of Meters & Boxes	282.00	
Engineering	<u>1,349.18</u>	<u>24,440.00</u>
TOTAL ASSETS		<u>\$3,040.25</u> <u>\$60,000.00</u>

LIABILITIES

Capital Stock		<u>\$60,000.00</u>
TOTAL LIABILITIES		<u>\$60,000.00</u>

Applicant's engineer estimated that further sources of water supply would be needed for development of the third or fourth units of the subdivision and that a total of three pumping units would be adequate to serve the ultimate project of 1,145 lots.

Other water utilities, operating in the vicinity of Pacific Oaks Subdivision, although notified of the hearing, did not object to applicant's request for a certificate.

Development of the entire Pacific Oaks Subdivision is expected to take about five years and, as stated, will comprise eight units. The area ultimately to be served is approximately rectangular in shape, and extends slightly over one mile in length in an east-west direction and about a half mile in a north-south direction. Unit No. 1 is located in the southwest corner of the tract, east of the intersection of Pacific Avenue and Lincoln Road. The project contemplates commercial, school and park areas, to which water service would be extended at the cost of the developers of those facilities.

It would appear to serve no useful purpose to restrict a certificate of public convenience and necessity to only a single unit of a project of this character. We conclude, therefore, that a certificate should be granted to encompass the ultimate area herein proposed to be developed and supplied with water. However, in view of the proximity of other water systems it seems advisable to restrict applicant from extending water service outside of Pacific Oaks Subdivision. The present authority to issue securities will be limited to what has been shown to be required for acquisition of the facilities referred to in the pro forma balance sheet above. At a later date applicant may file a subsequent application, or applications, to engage in additional financing in line with its representations in its amended application now before us.

Applicant proposes initially to supply water service at a flat rate of \$3.50 per month and, when meters are installed, at monthly quantity rates starting at \$2.00 per meter per month for the first 500 cubic feet of water or less, subject to a minimum monthly charge of \$2.00 for a 5/8-inch meter. A charge of \$1.00 per month per hydrant is also proposed, to be paid by the City of Stockton or any fire district or department making use of fire hydrants.

Applicant's proposed flat rate of \$3.50 is too high in relation to the proposed meter minimum charge of \$2.00. Additionally, applicant's proposal to offer such flat rate service only until meters are installed does not constitute sufficient need for such a schedule.

It is further proposed that service to additional units will be at the same rates as indicated above, as long as such units pay for the cost of all line extensions and installations. Applicant made no showing in support of a special tariff condition of this nature. The meaning of such a condition is not clear. If it contemplates diverse rate zones throughout the ultimate development, based on production of revenue within each of the eight units adequate to repay all line extensions and installation costs in that unit, such a condition, in our opinion, is neither feasible nor in accordance with accepted tariff practices for water utilities.

Applicant's rate proposals, except for the flat rate schedule and the special condition just alluded to, appear to be reasonable in other respects, and will be permitted to be filed in accordance with the provisions of the order which follows.

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 this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate 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 certificate of public convenience and necessity or right.

O R D E R

Public hearing having been held herein, the matter having been submitted and the Commission now being fully advised,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a public utility water system by Pacific Oaks Water Co., a corporation, in Pacific Oaks Subdivision, San Joaquin County, California, as said subdivision is delineated on a map annexed to the original application filed herein as Exhibit C thereof.

IT IS HEREBY ORDERED that:

1. A certificate of public convenience and necessity be and it hereby is granted to Pacific Oaks Water Co., a corporation, to construct and operate a public utility system for the sale and distribution of water within the territory hereinbefore described.
2. Applicant shall not extend its water system outside the boundaries of the area certificated herein without further order of the Commission.
3. Applicant is authorized to file 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 granted herein together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
4. 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. 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 200 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.

6. Applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicants shall review the accruals as of January first of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

7. (a) Applicant, after the effective date hereof and on or before December 1, 1958, may issue not exceeding 6,000 shares of its capital stock in exchange for the properties described herein, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of said stock is reasonably required by applicant for the purposes herein stated, which purposes are not wholly or in part reasonably chargeable to operating expenses or to income.

(b) Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order insofar as applicable, is made a part of this order.

8. The authorization herein granted will lapse if not exercised within one year from the date hereof.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of August, 1958.

E. J. Fox  
President  
Walter E. Mitchell  
Walter J. Deal  
Theodore J. Jernick  
Commissioners

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

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The portion of the City of Stockton including the Pacific Oaks Subdivision located southeast of the intersection of Pacific Avenue and Hammer Lane, San Joaquin County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	500 cu.ft. or less .....	\$ 2.00
Next	2,000 cu.ft., per 100 cu.ft. ....	.20
Next	3,500 cu.ft., per 100 cu.ft. ....	.12
Next	54,000 cu.ft., per 100 cu.ft. ....	.09
Next	60,000 cu.ft., per 100 cu.ft. ....	.07
Minimum Charge:		
For	5/8 x 3/4-inch meter .....	\$ 2.00
For	3/4-inch meter .....	2.55
For	1-inch meter .....	3.65
For	1-1/2-inch meter .....	6.50
For	2-inch meter .....	9.50
For	3-inch meter .....	15.00
For	4-inch meter .....	22.00

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



Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The portion of the City of Stockton including the Pacific Oaks Sub-division located southeast of the intersection of Pacific Avenue and Hammer Lane, San Joaquin County.

RATE

Per Month

For each hydrant ..... \$ 1.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the fire protection agency.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.