

ORIGINAL

Decision No. 57505

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PARKWAY WATER CO., a California corporation,
 for a certificate of public convenience and
 necessity authorizing Applicant to furnish
 public utility water service in certain
 portions of Sacramento County, California,
 and to exercise franchise rights in
 connection therewith.

Application No. 40085

Orrick, Dahlquist, Herrington & Sutcliffe,
 by Warren A. Palmer, for applicant.

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

O P I N I O N

Parkway Water Co., a public utility, by application filed May 15, 1958, seeks a certificate and authority to carry out an agreement for water service and to exercise franchise rights in connection with construction, maintenance and operation of a domestic and commercial water system in Glen Elder Subdivision and nearby areas, located in the vicinity of Elder Creek and Power Inn Roads, southeast of the City of Sacramento. Sun-River Homes, Inc., and its affiliates, collectively referred to in the agreement and herein as "Subdivider", and Capitol Accommodations, Inc., a California corporation, holder of a county franchise to construct, maintain and operate a water system in the proposed service area,^{1/} also have joined in the application.

^{1/} Ordinance No. 489, adopted April 6, 1955, by the Board of Supervisors of Sacramento County, Exhibit D of application.

The application was submitted, subject to the filing of additional exhibits, which have since been received, before Examiner John M. Gregory, at a public hearing held August 6, 1958, at Sacramento.

Parkway Water Co., whose parent is Citizens Utilities Company, a Delaware corporation, and which is an affiliate of Citizens Utilities Company of California, a public utility, operates a water system serving the general public in an area lying southeast of the City of Sacramento adjacent to the intersection of Florin Road and Franklin Boulevard. The Glen Elder project, consisting of Glen Elder Subdivision (First Unit), Units Nos. 2, 3 and 4, an additional 40-acre unit contiguous to and south of Unit No. 4, to be known as Unit No. 5, together with a 20-acre and a 45-acre parcel east of Power Inn Road to be ultimately developed into zoned commercial and industrial areas, are all included within the franchised territory and constitute the proposed service area covered by the instant application. Both Capitol Accommodations, Inc., and Subdivider have agreed to assign to applicant the franchise granted by Ordinance No. 489.

Applicant and Subdivider, on October 31, 1957, entered into an "Acquisition Agreement" (Exhibit C, attached to the application), pursuant to which applicant has undertaken to furnish public utility water service to the Glen Elder Subdivision; and Subdivider has agreed to sell and transfer, or cause to be sold and transferred, to applicant all franchise rights, water supply, and water system acquired, developed and installed within said subdivision as of the date of said agreement. Subdivider has also agreed that if it constructs any additional homes up to a maximum of 100 homes, within a period of four years from the date of said agreement, within Glen Elder Units Nos. 4 and 5, Subdivider will install additional distribution mains

and accessory equipment in Unit No. 4 and distribution facilities as may be required to serve homes in Unit No. 5. Upon consummation of the transaction, applicant has agreed to pay \$30,000 in cash to the Subdivider, subject to adjustment, and the further sum of \$2,500 for each unit of 25 additional homes up to a maximum of 100 homes constructed by Subdivider and attached to and receiving service from said additional distribution mains if, as, and when constructed by Subdivider. The application indicates that the total actual cost of the water system installed as of October 31, 1957, the date of said agreement, amounts to \$65,374.28, and there were no additions to that amount to the date of the hearing.

The acquisition agreement also provides for installation of an additional well in Unit No. 4 prior to December 31, 1958. The evidence establishes that such a well will be desirable in the near future.

The record shows that 300 homes had been constructed in the tract as of August 6, 1958, the date of the hearing, of which 280 were occupied and were being served with water by applicant, which, since February 1, 1958, has operated the system as agent of Subdivider. A total of 345 homes will be constructed and occupied within the tract during the next few months. Applicant proposes to make its presently filed rate schedules effective in the Glen Elder tract, in place of the fixed sum of \$2.75 per month per service it has been collecting heretofore on behalf of Subdivider, regardless of lot sizes served. Application of the proposed rates will result in nominal decreases to some customers and nominal increases to others, depending upon lot size. Revenues are estimated by the applicant to be equivalent to those presently obtained at the flat rate of \$2.75.

Estimated income and expense data of the Glen Elder system, when completed and serving 350 homes, are shown below in summary form from applicant's Exhibit 3:

<u>ITEM</u>	<u>FUTURE YEAR</u>
Operating Revenue	\$11,982
Operating Expense, including Taxes and Depreciation	<u>8,271</u>
Net Operating Income	\$ 3,711

Applicant plans to operate the Glen Elder system in conjunction with its other water utility activities in the area, as an affiliate of Citizens Utilities Company of California, using its present North Sacramento office and employees.

We find as a fact that public convenience and necessity will require the construction and operation of a public utility water system by Parkway Water Co., a corporation, within the unincorporated areas in the County of Sacramento delineated on the map designated Exhibit 4 in evidence.

We also find as a fact that public convenience and necessity require the exercise by Parkway Water Co. of the rights and privileges granted in the franchise conferred by Ordinance No. 489 of the Board of Supervisors of the County of Sacramento.

We conclude, accordingly, that the authorities requested by applicant, including permission to carry out the terms and conditions of the acquisition agreement, Exhibit C attached to the application, should be granted.

The certificate of public convenience and necessity granted herein 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 for any amount of money 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 issuance of such franchise, certificate of public convenience and necessity or right.

We find as a fact that the increases in rates and charges authorized herein are justified and that present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable.

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 ORDERED THAT:

1. A certificate of public convenience and necessity be and it hereby is granted to Parkway Water Co., a corporation, to construct and operate a public utility system for the sale and distribution of water within the territory described in the foregoing opinion.
2. A certificate of public convenience and necessity be and it hereby is granted to Parkway Water Co. to exercise the rights and privileges conferred by the franchise issued pursuant to Ordinance No. 489, adopted April 6, 1955, by the Board of Supervisors of the County of Sacramento.
3. Parkway Water Co. is authorized to carry out the terms and conditions of that certain acquisition agreement, dated October 31, 1957, a copy of which is attached to the application herein as Exhibit C thereof.
4. a. Applicant is authorized to apply, after the effective date of this order, its presently effective tariff schedules to the areas certificated herein.

b. Applicant shall revise, within thirty days after the effective date of this order, its presently filed tariff schedules, including the 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 to the areas certificated herein, consistent with the authorization hereinabove granted. Such tariff schedules shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

5. Applicant shall file, within sixty days after the effective date of this order, 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. Applicant shall review the accruals as of January 1st of the year following the dates 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.

Finding that the public interest will not be adversely affected, IT IS FURTHER ORDERED that the effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 21st day of October, 1958.

E. Foster
President

John J. [unclear]

Ray C. [unclear]

Walter [unclear]

Theodore [unclear]
Commissioners