

ORIGINAL

Decision No. 59173

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
 of GREAT OAKS WATER CO. for a
 Certificate of Public Convenience
 and Necessity to authorize the
 operation of a public utility water
 system and to establish rates for
 service rendered within a subdivided
 area located within the City of San Jose,
 County of Santa Clara, California.

Application No. 41363

Thomas L. Bocci, for the applicant.
W. B. Stradley and Sidney J. Webb, for the
 Commission staff.

O P I N I O N

Great Oaks Water Co., a corporation, asks that the Commission: (1) grant it a certificate of public convenience and necessity to construct and operate a public utility water system; (2) establish rates for the water service to be rendered; and (3) authorize the sale and issuance of common stock.

A public hearing on this application was held before Examiner James F. Haley at San Jose on September 4, 1959. The matter was submitted subject to the filing of an amendment to the application incorporating certain changes which applicant had requested be made on the face of the original application during the course of the hearing. This amendment was filed with the Commission on September 14, 1959, and a copy was mailed by applicant to each party who had been provided with a copy of the original application.

The area which applicant proposes to serve is within the limits of the City of San Jose, lying southwest of the crossing of Coyote Creek by Bayshore Highway. There is no public utility water system in this area which consists of portions known as the Roeder-Bean property, Berger Coastwide Subdivision and Swickard Ranch.

Two of applicant's principal officers, Walter S. Roeder and Leland C. Bean, are the owners of the Roeder-Bean property, which is also known as the Great Oaks Subdivision. They plan to divide this 140-acre parcel of land into 465 lots for single-family dwellings, a 10-acre school site and 30 acres of shopping center, motel and multiple dwelling unit sites. The San Jose Planning Commission has tentatively approved the detailed plans for subdividing this property.

In the Berger Coastwide Subdivision, 110 acres are scheduled to be subdivided into 473 lots for single-family dwellings. The San Jose Planning Commission has given tentative approval to the plans for this subdivision also. An officer of Monterey Highlands Company, the organization developing the Berger Coastwide Subdivision, testified that his company desired to have applicant provide water service to this area.

The Swickard Ranch is a 140-acre area lying between the Roeder-Bean property and the Berger Coastwide Subdivision. The owners of the Roeder-Bean property have been given the first right of refusal on the purchase of this parcel, and if the purchase is consummated, they plan to subdivide the area. Applicant's witness testified that the present owner of the Swickard Ranch desires his property to be included within applicant's certificated area. For the present, water would be provided for agricultural purposes.

Applicant states that the source of water will be two existing wells estimated to be capable of producing 1000 gallons per minute each. Elevated storage will be provided by a 250,000-gallon steel tank to be located on a hillside. Two pressure tanks will provide pressure of 60 pounds throughout the area. Distribution mains will be cement asbestos pipe varying from four to 10 inches in diameter. An engineer testifying for the applicant stated that the design and construction of the system would comply with the requirements of the Commission's General Order No. 103. The system appears to be adequate for the service to be rendered.

Applicant proposes to provide metered water service at the following basic rates:

<u>Monthly Quantity Rates</u>	<u>Per Meter Per Month</u>
First 500 cubic feet or less	\$2.50*
Next 2,500 cubic feet, per 100 cubic feet	0.36
Next 27,000 cubic feet, per 100 cubic feet	0.25
Over 30,000 cubic feet, per 100 cubic feet	0.22

* The first 500 cubic feet would be included in the monthly minimum charge, which would depend upon meter size; the 5/8 x 3/4-inch meter being \$2.50, with larger sizes having a graduated scale of charges up to and including \$75.00 for a 6-inch meter.

Applicant also proposes a schedule of rates for private fire protection service as well as a schedule of rates for public fire hydrant service.

It is estimated by applicant that the proposed rates would generate total annual revenues of \$110,783, and that annual operating expenses including provisions for taxes and depreciation would total \$83,368, producing an annual net income of \$27,415 or 7.8 per cent on an investment of \$347,410. It does not appear that applicant will realize this rate of return. Applicant's figures assume a completed

water system and full development of the area to be served, a condition not to be realized for several years. Further, applicant's estimate of revenues is somewhat on the high side compared with the revenues actually realized by other water systems of this character operating under similar conditions and rate levels.

Applicant proposes to issue 69,480 shares of common stock, each share having a par value of five dollars, to Walter S. Roeder and Leland C. Bean, on a dollar-for-dollar basis in consideration of the amounts to be paid by them for the construction of the water system, the estimated cost of which is \$347,400. To coincide with the progress of construction of the system, applicant requests authority to issue 50 per cent of this stock before December 31, 1960, 25 per cent during the year 1961 and 25 per cent during the year 1962.

The Commission finds that public convenience and necessity require the construction and operation of a public utility water system in the service area requested. Further, the Commission finds that the rates which applicant proposes to charge are just and reasonable for the service to be rendered. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of stock herein authorized is reasonably required for the purpose specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Therefore, the request of applicant for authorization to issue capital stock should be granted subject to the conditions in the order which follows.

The authority granted herein authorizing the issuance of shares of capital stock shall not be construed to be a finding of

value of applicant's stock or properties nor as indicative of amounts to be included in a future rate base.

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 tax or annual charge) actually paid to the state as 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 a decision,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it hereby is, granted to Great Oaks Water Co., a corporation, to acquire, construct and operate a public utility water system to serve that area in the City of San Jose described in Exhibit B attached to the original application and delineated upon Exhibit C also attached to the original application.

IT IS FURTHER ORDERED that:

1. Applicant 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 a 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 this Commission and to the public after filing as hereinabove provided.

2. Applicant shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

3. Applicant shall file, within thirty 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 tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

4. 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 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.

5.(a) Applicant, for the purposes set forth in the amendment to the application, may issue 69,480 shares of its capital stock at five dollars per share par value as follows: after the effective date of this order but before December 31, 1960, not to exceed 35,000 shares; during the calendar year 1961, not to exceed 17,500 shares; and during the calendar year 1962, not to exceed 16,980 shares.

(b) Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, in so far as

applicable, is made a part of this order.

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

Dated at San Francisco, California, this
20th day of October, 1959.

[Signature] President
[Signature]
[Signature]
Theodore J. [Signature] Commissioners

Commissioner Everett C. McKeage, 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 areas known as Great Oaks and Berger-Coastwide Subdivisions and vicinity, located between Bayshore Freeway and Monterey Road, and South of Coyote Road in the City of San Jose, Santa Clara County.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	.....	\$ 2.50
Next	2,500 cu.ft., per 100 cu.ft.	.....	.36
Next	27,000 cu.ft., per 100 cu.ft.	.....	.25
Over	30,000 cu.ft., per 100 cu.ft.	.....	.22

Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 2.50
For	3/4-inch meter	.....	3.50
For	1-inch meter	.....	5.50
For	1 1/2-inch meter	.....	10.50
For	2-inch meter	.....	15.50
For	3-inch meter	.....	27.00
For	4-inch meter	.....	40.00
For	6-inch meter	.....	75.00

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

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The areas known as Great Oaks and Berger-Coastwide Subdivisions and vicinity, located between Bayshore Freeway and Monterey Road, and South of Coyote Road in the City of San Jose, Santa Clara County.

RATESPer Month

For each 2-inch diameter service connection	\$ 3.00
For each 4-inch diameter service connection	5.00
For each 6-inch diameter service connection	9.50
For each 8-inch diameter service connection	15.00
For each 10-inch diameter service connection	25.00

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of applicant. Such cost shall not be subject to refund.
3. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.
4. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
5. 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.

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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 areas known as Great Oaks and Berger-Coastwide Subdivisions and vicinity and the Swickard Ranch, located between Bayshore Freeway and Monteréy Road, and South of Coyote Road in the City of San Jose, Santa Clara County.

RATES

Per Month

For each hydrant owned by the utility	\$3.25
For each hydrant owned by the fire protection agency	2.50

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. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. 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.