

**ORIGINAL**Decision No. 71767

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
 the Great Oaks Water Co. for an order  
 granting to it a certificate of  
 public convenience and necessity to  
 serve a certain tract in the City of  
 San Jose, which tract is non-  
 contiguous to the present certified  
 area.

Application No. 48748  
 (Filed August 29, 1966)

O P I N I O N

Applicant is a public utility water system operating in the Southwestern part of the City of San Jose. By this application it seeks authorization to serve a non-contiguous tract (No. 4219) 7,320 feet southeast of its present service area.

A joint report on the application and field investigations prepared by an engineer of the Commission's Utilities Division, Hydraulic Branch, and a financial examiner of the Finance and Accounts Division will be included in the record as Exhibit No. 1.

Both the present and requested areas are part of a Rancho Santa Teresa development. It appears that applicant's present service area comprises the first two units of this. Tract No. 4219 is next in order of development.

Applicant, at the time of the application, was serving 1,677 customers at December 31, 1965. The potential in Tract No. 4219 is 444 single family dwelling lots, 30 duplex lots, an 8-acre school site, a recreation area and about an acre of garden apartments. The single lots average 6,000 square feet in area and the duplexes 9,600. The requested area contains approximately 120 acres. When this is totaled the service area will be about 960 acres.

Applicant presently has two wells in operation with an aggregate capacity of 5,100 gallons per minute and a 575,000-gallon storage tank from which water flows by gravity into the distribution system.

Applicant proposes to construct 7,320 feet more or less of 12-inch line to reach the new tract. The in-tract facilities will include 2,030 feet of 6-inch, 15,465 feet of 8-inch, 3,650 feet of 10-inch and 725 feet of 12-inch WSCL pipe.

A new well is to be located near the new area. The present wells and storage can provide 7,500 gpm for a 4-hour period of peak demand. The third well is expected to increase this to 10,000 gpm.

The staff engineer was of the opinion that these facilities would comply with General Order No. 103, provided that the WSCL pipe is dipped and wrapped or that Class 150 asbestos-cement pipe is substituted therefor. Applicant proposes to extend its present rates to the new area.

Applicant estimates the cost for the plant facilities to serve the requested area at \$185,068. Of this amount \$150,193 relates to in-tract facilities which are proposed to be financed by a main extension advance contract. The remainder or \$34,875 relates to off-tract facilities which are proposed to be financed by advances from the stockholders of this utility in exchange for demand notes.

The tabulation which follows compares the ratios of advances for construction to net plant balances at August 31, 1966 as reflected in the company's books of account and on a pro forma basis assuming that the application is granted:

Item	Recorded at 8/31/66	A-48748 Proposal	Pro Forma
Net Plant	\$766,004	\$185,068	\$951,072
Advances for Construction	410,405	150,193	560,598
Ratio of Advances to Net Plant	54%		60%

Section 15, A.2.a. of the main extension rule provides that whenever the outstanding advance contracts balance exceeds 50 percent of the depreciated water utility plant, the utility shall not make any further extension of distribution mains without authorization of the Commission. On September 15, 1965 the Commission issued Resolution No. W-1027 granting applicant authority to exceed the 50 percent limitation on main contracts imposed by this rule.

In connection with Resolution No. W-1027, Walter S. Roeder, president of applicant, filed a letter with the Commission stating that he would (1) waive refunds on the advance contracts held by him until such time as the total of such contracts would become less than 50 percent of net plant and (2) that he did not intend to dispose of any of the contracts he then held. The order herein will provide that the applicant shall not exercise the authority granted herein until Walter S. Roeder has filed with this Commission a written statement that (1) he will not assign or otherwise dispose of any of the advance contracts he now holds without specific authorization of this Commission, and (2) that a copy of said statement has been attached to and made a part of each of said contracts. As of August 31, 1966, Roeder's advances amounted to \$322,336 or about 79 percent of the total advances then outstanding.

The Commission finds that:

1. Public convenience and necessity require that applicant be authorized to extend service to Tract No. 4219 in the City of San Jose.
2. Applicant's present rates and rules are reasonable for the service to be rendered in the area covered by the extension.
3. Applicant's proposed facilities will meet the requirements of General Order No. 103.

4. Applicant's proposed financing of this extension will not have a significant detrimental effect on the company's capital structure.

The Commission concludes that the application should be granted as provided by the following order.

The certificate hereinafter granted shall be 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.

A public hearing is not necessary.

ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Great Oaks Water Co. authorizing it to extend its facilities to serve Tract 4219 in the City of San Jose as delineated on the map, Exhibit A, attached to the application herein.

2. Applicant is authorized to deviate from Section A.2.a., Limitation of Expansion, of its filed main extension rule by extending service to Tract 4219, City of San Jose.

3. After the effective date of this order, applicant may file revised tariff sheets including a revised tariff service area map to provide for the application of its present tariff schedules to the area certificated herein. The filing shall comply with General Order No. 96-A, and the revised tariff sheets shall become effective on the fourth day after the date of filing.

4. The authority granted in paragraphs 1, 2 and 3 of this order shall not be exercised until Walter S. Roeder has filed the statement described in the above opinion.

5. The authority granted in paragraphs 1, 2 and 3 of this order shall not be exercised until applicant shall have filed with the Commission a list of all advances for construction made by Walter S. Roeder.


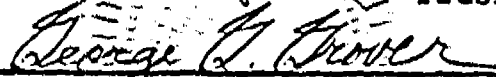

6. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

7. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within thirty days after the water system is placed in operation under the authority granted herein, applicant shall file with the Commission two copies of such map.

8. Within ten days after service is first furnished to the public under the authority granted herein, applicant shall file in this proceeding written notice thereof to this Commission.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of DECEMBER, 1966.

  
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President  
  
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Commissioner Frederick B. Holobar did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioners