

Decision No. 33448

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ORCUTT TOWN WATER COMPANY

for orders approving acquisition of property, issuance of stock, and contracts for purchase of water and supervision of operations.

ORIGINAL

Application No. 23202

Douglas C. Gregg, for Applicant.

CRAIGER, COMMISSIONER:

O P I N I O N

Since 1903 Union Oil Company of California,⁽¹⁾ a corporation, has owned and operated a water system for the primary purpose of supplying its oil field operations in the northern portion of Santa Barbara County, State of California, and as an incident thereto has been supplying water from said system for the domestic and commercial uses of its employees and other inhabitants living within what is now known as the Town of Orcutt. The evidence presented in Case No. 4415 before the Railroad Commission definitely established the public utility status of that portion of Union Oil Company's waterworks providing domestic and commercial service to the Town of Orcutt and that such water operations are subject to the jurisdiction and control of this Commission. In its Decision No. 32412, dated October 3, 1939, the Commission ordered Union Oil Company, within thirty days from that date, to file rates for water service

(1) Hereinafter referred to as Union Oil Company.

in the Town of Orcutt together with a map setting forth the area of service of its public utility system and also to submit rules and regulations governing the service of water to its consumers. By subsequent orders of the Commission the time within which Union Oil Company should file the rates, service area map, and rules and regulations, was extended to and including October 1, 1940, and Decision No. 32412 was modified and amended to permit the said filings by either the Union Oil Company or its subsidiary, Orcutt Town Water Company.

On December 21, 1939, Orcutt Town Water Company, (2) a newly organized corporation, with the concurrence of Union Oil Company, filed the application now under consideration, together with a map of the service area and quadruplicate copies of the rates, rules and regulations of the Water Company, intended to satisfy the requirements of the Commission's Decision No. 32412. In this proceeding, the Water Company proposes to enter into the business of supplying water for domestic and commercial purposes within the subdivided area of the Town of Orcutt and requests the Railroad Commission to authorize applicant, first, to acquire that portion of Union Oil Company's water system which supplies the Town of Orcutt with water; second, to issue to Union Oil Company two hundred (200) shares of its capital stock of the par value of \$25 per share, having a total par value of \$5,000 in exchange for the said water system; and, third, to enter into certain agreements under which Union Oil Company will supply the Water Company with water and with personnel and materials required in the operations of the water system by applicant Water Company.

A public hearing in this proceeding was held at Santa Maria.

(2) Hereinafter referred to as the Water Company.

The record of Case No. 4415 shows that the present source of water supply for the unincorporated Town of Orcutt, located about seven miles south of Santa Maria, consists of two wells drilled in 1928 in Sec. 10, T. 9N., R. 34 W., S.B.B. & M., northwest of Orcutt, where Union Oil Company has electrically-operated deep-well turbine pumps which deliver the water through a 10-inch cement transmission line to Union Oil Company's oil refinery plant located across the railroad tracks west of Orcutt. In order to effect a separation of its private facilities from its public utility water properties, Union Oil Company desires to sell to the Water Company all that portion of the water system used to distribute water to the inhabitants of the townsite of Orcutt, consisting of:

- 1 - centrifugal pump driven by 10 H.P. electric motor.
- 1 - 15,000-gallon steel storage tank and tower, including fenced lot upon which it stands.
- 215 - services and meters from 5/8" to 2" in size.
- 25,740 feet of transmission and distribution pipe mains varying from 8 inches to 2 inches in diameter.

Mr. Leslie H. Young, supervising engineer of the Water Company, testified that the estimated original cost of the above listed facilities, as of May 10, 1940, was \$20,479, that the depreciated value was \$8,069, and that the annual revenues from the 230 customers now being supplied on a metered basis are \$4,320. He further testified that the property to be transferred to the Water Company is free of all liens and encumbrances and is in good operating condition.

It is the Water Company's desire to finance the acquisition of the said water system by issuing to Union Oil Company two hundred (200) shares of its stock of the par value of \$25.00 a share, or

a total par value of \$5,000 which will thereupon constitute its only issued stock. Upon completion of the exchange of properties, the Water Company agrees to assume all obligations with respect to said water system.

Attached to the application is a copy of a proposed agreement whereby Union Oil Company would supply to the Water Company such personnel, labor, materials and supervision as might be required in the operation of the water system at a stipulated monthly charge. At the hearing, counsel for applicant withdrew the proposed contract as filed with the application and offered in its place another proposed agreement, filed as Exhibit No. 4 in this proceeding, wherein Union Oil Company would supply the Water Company with certain personnel, office space and facilities and would perform certain functions in the operations of the water works, for which it would charge Water Company the actual cost thereof to Union Oil Company. Also attached to the application is a copy of still another proposed agreement whereby Union Oil Company would supply Water Company with water at specified quantity rates. It is obviously incumbent upon the utility to conduct its operations in the least expensive manner possible. To this end, the Water Company should consider itself free to enter into any reasonable arrangements along the general lines proposed to be made with its parent organization, whereby the minimum costs of operation might be insured. Final approval by the Commission of any of these operating agreements is unnecessary at this time. However, it must, of course, be recognized that the Commission, without further order, reserves the right to alter, modify, amend or change any adopted operating practice which might prove unfair and burdensome to any of the consumers in the future.

The map submitted in evidence in this proceeding delineates the actual service area, consisting of about 100 acres, and the map together with the rates, rules and regulations as filed will be accepted in compliance with the order in Decision No. 32412. It appears that separate ownership of this utility will not adversely affect the public interest, that the water system serving Orcutt will be operated in essentially the same manner as heretofore, and that a certificate of public convenience and necessity should be granted to applicant together with permission to acquire the public utility properties described in the application and to issue sufficient shares of its capital stock in payment therefor.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the operation of a public utility water system by Orcutt Town Water Company, a corporation, within the subdivided area of the unincorporated Town of Orcutt, located about seven miles south of Santa Maria, in the County of Santa Barbara, as shown on the map entitled "Water System, Town of Orcutt, Santa Barbara Co., Calif." filed as Exhibit No. 1 in this proceeding and by reference made a part hereof, and which area is described as follows:

Commencing at the point of intersection of the easterly boundary of the right-of-way of the Pacific Coast Railway with the north boundary of Lot 17, Block 3 of Twitchell's Division; thence running easterly along the north boundary of said Lot 17 extended to the east side of Broadway, a distance of about 170 feet; thence southerly along the east side of Broadway about 40 feet to the north side of North Avenue; thence easterly along the north side of North Avenue about 750 feet to the east side of Pacific Street; thence south-easterly by a meandering course along the northeasterly boundary of Blocks 2 and 1 of Webb's Addition, to the south side of Clark Avenue, a total distance of 1560 feet, more or less; thence easterly along the south side of Clark Avenue about 1075 feet to the east side of Oak Street, if extended; thence southerly along the extended east side of Oak Street about 700 feet to the north side of Pinal Avenue; thence westerly along the north side of Pinal Avenue about 1500 feet to the west side of Dyer Street; thence southerly along the west side of Dyer Street about 230 feet to the S.E. corner of Lot 13 of Allen & Glines Subdivision; thence westerly along a line 150 feet south of the south side of Pinal Avenue and which forms the south boundary of Lots 1 to 13 of Allen & Glines Subdivision and of Blocks K, L, M, N and O of Union Oil Company's Addition, a distance of about 2050 feet to the easterly boundary of the right-of-way of the Pacific Coast Railway; and thence northeasterly along the easterly boundary of the right-of-way of the main line and depot grounds of Pacific Coast Railway to the point of beginning.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Orcutt Town Water Company, a corporation, to operate a public utility for the sale and distribution of water within the territory hereinabove described.

IT IS HEREBY FURTHER ORDERED that for all water delivered on and after the date of this Order, Orcutt Town Water Company, a corporation, be and it is hereby authorized and directed to charge all its consumers in and in the vicinity of the Town of Orcutt at the following schedule of rates, which schedule of rates is hereby found to be just and reasonable for the service to be rendered.

SCHEDULE OF RATES

Monthly Quantity Rates

For the first	600 cu. ft. or less, per month	\$1.50
For the next	1,400 cu. ft., per 100 cu. ft.25
For the next	4,000 cu. ft., per 100 cu. ft.15
For all over	6,000 cu. ft., per 100 cu. ft.10

Orcutt Town Water Company, with the concurrence of Union Oil Company of California, having requested the Railroad Commission for an order authorizing it to acquire certain public water utility properties and to issue stock in exchange therefor, the Commission having considered applicant's request and being of the opinion that the money, property or labor to be procured or paid for through the issue of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that the request should be granted subject to the provisions of this Order,

IT IS HEREBY ORDERED that Union Oil Company of California, a corporation, be and it is hereby authorized to transfer and sell to Orcutt Town Water Company, a corporation, its right, title and interest in and to the water system described in the foregoing Opinion, said sale to be made substantially in accordance with the terms and conditions of the agreement filed in this proceeding as Exhibit No. 1, and that thereupon said Union Oil Company of California be and it is hereby relieved of all further public utility obligations and liabilities in connection with said water system; and

IT IS HEREBY FURTHER ORDERED that Orcutt Town Water Company, a corporation, be and it is hereby authorized to issue to Union Oil Company of California, a corporation, two hundred (200) shares of its capital stock of the par value of \$25 a share

and of the aggregate par value of \$5,000 in payment for the public utility water system herein authorized to be transferred to it.

IT IS HEREBY FURTHER ORDERED that the authority granted in the foregoing portion of this Order is subject to the following terms and conditions:

1. Within thirty (30) days from the date of this Order, Orcutt Town Water Company shall file with this Commission four copies of a suitable map or sketch, drawn to an indicated scale upon a sheet approximately 2½" x 11" in size, delineating thereupon in distinctive markings the boundaries of the authorized service area hereinabove described and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, Orcutt Town Water Company shall file with this Commission four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the various tracts of land in the territory for which the certificate is granted herein. This map should be reasonably accurate, show the source and date thereof, and sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service.
3. On or before the 1st day of November, 1940, Union Oil Company of California shall refund to such consumers as may be entitled thereto all amounts, if any, deposited for main extensions, meter or service connections, and/or any other purpose, and not later than said date it shall file with this Commission a certified statement to the effect that all such refunds, if any, have been duly made.
4. The authority herein granted shall apply only to such transfer as shall have been made on or before the 31st day of December, 1940, and a certified copy of the final instrument of conveyance shall be filed with this Commission by Union Oil Company of California within thirty (30) days from the date on which it is executed.
5. Within ten (10) days from the date on which said Union Oil Company actually relinquishes control and possession of the property herein authorized to be transferred, it shall file with this Commission a certified statement indicating the date upon which such control and possession are relinquished.

6. Within thirty (30) days after the issue of the stock herein authorized, Orcutt Town Water Company shall file with this Commission a report such as is required by the Commission's General Order No. 24-A.
7. The consideration for the transfer herein authorized shall not be urged before this Commission or any other public body as a finding of valuation for rate-fixing or any purpose other than the transfer herein authorized.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3rd
day of September, 1940.

Ray L. Riley
James C. Sullivan
Raymond J. ...
...
Justin J. ...
Commissioners.