

**ORIGINAL**Decision No. 50785

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 EAST BAKERSFIELD WATER CO., a corpora- )  
 tion, (1) for a certificate of public )  
 convenience and necessity to construct )  
 and operate a public utility water )  
 system in an unincorporated area known )  
 as East Bakersfield, Kern County; (2) )  
 to establish rates for the service )  
 rendered; and (3) for authority to )  
 issue and sell its capital stock. )

Application No. 35698  
as amended

William Stava, for applicant.  
W. B. Stradley and L. L. Thormod, for the  
 Commission staff.

O P I N I O NIntroductory

This is an application by East Bakersfield Water Co., a California corporation, for authority to construct and operate a public utility water system in unincorporated territory east of Bakersfield, in Kern County, to establish rates for water service and to issue in exchange for the assets of the initial units of the system 35,000 shares of common stock of a par value of \$1 per share and 4,300 shares of 3%, cumulative, nonvoting preferred stock of a par value of \$10 a share.

Public Hearing

Public hearing was held, after due notice, at Bakersfield on September 20, 1954, before Examiner John M. Gregory, at which time the application, which was not opposed, was submitted for decision subject to the filing of certain amendments and supplementary exhibits which have since been received.

Applicant's Proposal

Gilbert J. Martin, applicant's president and also president of Bakersfield Meadows Company which owns a 27-acre parcel of land comprising Tracts Nos. 1716, 1717 and 1718 in the project, is a licensed contractor who, since 1938, has been engaged in developing residential, commercial and industrial properties in southern California. On or about June 17, 1954, Martin and Patrick F. Paola, the latter also a real estate developer in Bakersfield and who owns a 155-acre parcel in the area of which 40 acres are presently being subdivided as Tract No. 1732, having been unable to arrange with Pacific Water Co. (a nearby public utility) for water service, entered into an agreement to form a corporation to be known as East Bakersfield Water Co. for the purpose of providing a water supply for the project.<sup>(1)</sup>

The agreement, as amended at the hearing, provides that the principals will finance construction of water facilities necessary to provide water service to the 27 acres of land owned by Bakersfield Meadows Company and the 155 acres of land owned by Paola; that each will take 50% of the sum expended for off-site facilities in \$1 per share par value common stock and that each shall receive 3%, cumulative, nonvoting preferred stock, of a par value of \$10 per share, for sums expended in the presently proposed tracts for on-site improvements. The off-site facilities include land, a well, pumps, transmission mains and distribution tanks, estimated to cost

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(1) Pacific Water Co., which only a short time prior to the negotiations had acquired a water system serving portions of East Bakersfield, but which had been restricted subsequently by the Commission from serving new subdivisions pending improvement of its supply and distribution facilities, was not in a position to supply water for applicant's project, although a portion of the development lies within its certificated service area. Pacific Water Co. did not oppose the application.

approximately \$34,260. The on-site facilities, comprising distribution mains, services and meters in the respective tracts owned by each, are estimated to cost \$42,170. Total cost of the facilities required initially, including \$1,000 working cash and \$2,640 for organization expense, is estimated at \$80,070<sup>(2)</sup>. The agreement further provides that, upon completion of the on-site work, the pipelines, laterals, meters and necessary easement will be transferred to the water company, and each principal will receive preferred stock in an amount equal to his cost of on-site work. It is also agreed that after completion of all water facilities contemplated for the company, the company will either be operated by the two principals or sold to another water company.

The project contemplates ultimate development of 267 acres of land, 227 acres of which comprise a portion of the West 1/2 of Sec. 25 and 40 acres, a portion of Sec. 26, Township 29 South, Range 28 East, M.D.B. & M., as delineated upon a map filed subsequent to the hearing as Exhibit 2.

The following tabulation indicates present development of the acreage which will ultimately be included in the project.

<u>Parcel No.</u>	<u>Owner</u>	<u>Acreage</u>	<u>Tract No.</u>	<u>Lots</u>
1	Bakersfield Meadows Co.	27 <sup>b</sup>	1716, 1717, 1718	118
2	Gus Crane <sup>a</sup>	30 <sup>b</sup>	(not subdivided)	
3	Patrick F. Paola	155 <sup>c</sup>	1732 (40 Acres)	139 (40 Acres)
4	Gus Crane	15 <sup>b</sup>	(planted to citrus)	
5	Gus Crane	<u>40</u> <sup>b</sup>	(planted to citrus)	
Total Acreage		267		

- a Bakersfield Meadows Co. has an option to purchase this acreage from Crane.
- b Within Pacific Water Co. service area.
- c Outside Pacific Water Co. service area.

(2) Details of fixed capital and method of financing are shown in revised Exhibits 3 and 7.

Applicant's water producing facilities presently include a well 968 feet deep and 22 inches in diameter with a gravel-packed 16-inch casing. The well has a tested production rate of about 1,150 gallons per minute using a 150-hp pump and about 1,000 gallons per minute using a 125-hp pump. Also available, as standby, are two irrigation wells owned by Gus Crane, a citrus grower in the vicinity, which have a combined production rate of approximately 650 gallons per minute.

#### Rates

Applicant proposes to establish rates, for metered service only, at the level of those now maintained by Pacific Water Co. for its East Bakersfield system. The quantity rate for 500 cubic feet of water or less and the minimum charge for a 5/8 x 3/4-inch meter will be \$2 per month.

#### Conclusions

This application, except for the projected overlapping by applicant of a portion of the service area of Pacific Water Co., presents no unusual features. Pacific was served with a copy of the application prior to the hearing, was duly notified of the time and place of the hearing, but did not appear or otherwise oppose applicant's proposals. Since Pacific is still subject to a restriction against extending service to new or additional subdivisions,<sup>(3)</sup> it obviously is not in a position to object to a reasonable and substantial proposal by others who are engaged in developing the area for residential and business purposes and providing the necessary water supply.

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(3) See Dec. No. 49415 and subsequent orders issued in Appl. No. 34239 and Case No. 5468, a consolidated proceeding involving rates and service of the East Bakersfield system of Pacific Water Co.

The following order will define the exterior limits of applicant's service area which will encompass the 267 acres of land ultimately to be developed. Should it later become necessary to re-define what is now considered to be the certificated service area of Pacific Water Co., that will have to be done in a separate proceeding.

We conclude, upon the basis of the record made in this proceeding, that applicant should be granted the certificate it seeks and should also be authorized to file its proposed rates, which are hereby found to be reasonable for the service initially to be rendered in the first two units of the project, as described above.

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

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

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 East Bakersfield Water Co., a corporation, within the territory delineated upon a map annexed as Exhibit 2 to the amendment to application filed herein September 29, 1954; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to East Bakersfield Water Co., a corporation, to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described; provided, however, that the certificate of public convenience and necessity herein granted to said East Bakersfield Water Co. shall be subject to the condition that it shall not make extensions into other territory contiguous to the certificated area hereinabove described which lies within the boundaries of the certificated area of Pacific Water Co. without authority first having been obtained from the Commission.

IT IS HEREBY FURTHER ORDERED that:

1. 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, 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.
2. Applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within thirty days thereafter.
3. Applicant shall file, within forty days after the system is placed in operation, four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various properties of applicant now owned or to be acquired within the territory herein certificated.
4. Applicant shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. After the effective date hereof and on or before February 1, 1955, applicant may issue 35,000 shares of its common capital stock at not less than \$1 per share and 4,300 shares of its 3%, cumulative, non-voting preferred stock at not less than \$10 per share and use the proceeds for the purposes set forth in the foregoing opinion, it being our opinion, and we hereby so find, that the money, property or labor to be procured or paid for by the issue of such shares is reasonably required for the purposes specified in this order, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

6. Applicant shall file with the Commission such report, or reports, as may be required by the Commission's General Order No. 24-A, which order, in so far as applicable, is hereby made a part of this order.

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

Finding that it will not be adverse to the public interest that the authority herein granted become effective without undue delay, and good cause appearing,

IT IS HEREBY FURTHER ORDERED that this order shall become effective on the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day of November, 1954.

[Signature]  
President  
JUSTUS J. GREENE  
[Signature]  
[Signature]

Commissioners

Commissioner KENNETH POTTER, being necessarily absent, did not participate in the disposition of this proceeding.

## APPENDIX A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory situated in the vicinity of Nile Street and Fairfax Road, approximately 5 miles east of the City of Bakersfield, Kern County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First 500 cu.ft. or less .....	\$2.00
Next 1,500 cu.ft., per 100 cu.ft. ....	.15
Over 2,000 cu.ft., per 100 cu.ft. ....	.10

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$2.00
For 3/4-inch meter .....	2.50
For 1-inch meter .....	4.00
For 1 1/2-inch meter .....	7.50
For 2-inch meter .....	10.00
For 3-inch meter .....	20.00
For 4-inch meter .....	30.00

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