

Decision No. 51519

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Leland Finley and
Walter R. Rawlings for a certifi-
cate of public convenience and
necessity to conduct operations
as a "water corporation" within
Orange County, California, pursu-
ant to the provisions of Section
1001 of the Public Utilities Code
of the State of California.

Application No. 36204

Gordon, Knapp, & Gill, attorneys, by Wyman C. Knapp, for Rancho Water Company, substituted for Leland Finley and Walter R. Rawlings.
Mindlin & Levy, attorneys, by Maurice Levy, for subdividers Grove Vista Company and Republic Construction Company, in support of the application.
Mrs. Arlyne Lansdale, attorney, for Dyke Water Company, and, Moss, Lyon & Dunn, attorneys, by George C. Lyon, for Pacific Water Co., interested parties.
George F. Holden, Deputy County Counsel, for the County of Orange and Orange County Water Works Districts, Nos. 3 and 5, protestants.
James F. Wilson and Charles W. Drake, for the Commission staff.

O P I N I O N

Leland Finley and Walter R. Rawlings,^{1/} individuals, by the above-entitled application, filed November 12, 1954, seek a certificate of public convenience and necessity to conduct operations as a public utility "water corporation" in unincorporated territory about 6 miles west of Santa Ana in the vicinity of Garden Grove, Orange County, in the area shown on the map attached to the application as Appendix B, except as said area was amended at the hearing.

^{1/} Hereinafter referred to as applicants, applicant or Rancho.

Substitution of Rancho Water Company, a corporation, for Leland Finley and Walter R. Rawlings, individuals.

By their petition filed January 19, 1955, Finley and Rawlings requested permission to substitute Rancho Water Company, a corporation, as party applicant. This permission is granted.

Supplemental Application

By a supplemental application labeled a Petition to Set Aside Submission and Reopen for Further Hearing, dated March 15, 1955, applicant amended its original application by substituting a redesigned water system, by including certain additional rate schedules, and by including an estimate of revenues, expenses, rate bases, and rate of return for a year based on a saturated system of 708 consumers. Decision No. 51298, dated April 12, 1955, ordered the setting aside of submission and reopened the proceedings for further hearing.

Public hearings on this matter were held before Examiner Stewart C. Warner on January 20, 1955,^{2/} and April 26, 1955, at Santa Ana.

Withdrawals by Dyke Water Company and Rancho Water Company of Overlapping Areas.

Originally, Rancho applied for a certificate covering Tract No. 2365, for which Dyke Water Company had also applied, and Dyke originally applied for a certificate covering the entire area applied for by Rancho including Tracts Nos. 1842, 2320, 2321 and the so-called Finley Tract. At the January hearing each applicant protested the granting of the application of the other in areas which overlapped, but withdrew its protest when each application was amended at the hearing to eliminate such overlapping areas.

^{1/} See footnote 1/, page 1.

^{2/} Application No. 35833 of Dyke Water Company for a certificate of public convenience and necessity to extend its water system in unincorporated territory in the vicinity of Garden Grove, Orange County, was heard with the instant application on a consolidated record on this date.

^{3/} Hereinafter referred to as Dyke.

Certificate Covering Contiguous Area Granted to Dyke

By Decision No. 51352, dated April 19, 1955, in Application No. 35833, Dyke was granted a certificate covering an area which included Tract No. 2365. Said decision also granted Dyke an area contiguous to Tracts Nos. 1842, 2320, 2321 and the so-called Finley Tract, on the south and east thereof.

Protest of Orange County

Orange County protested the granting of any portion of Rancho's application, which covered territory within the boundaries of Orange County Water Works Districts, Nos. 3 or 5. The record shows that none of Rancho's application covers any territory within said boundaries.

General Information

Applicants incorporated as Rancho Water Company, on November 26, 1954. According to its Articles of Incorporation filed with the Secretary of State on that date, its original board of directors included Walter Rawlings, Tustin, Leland Finley, Balboa, and Charles L. Barkdull, Santa Ana, California.

Its present officers are Walter Rawlings, president, Leland Finley, vice-president and secretary, and Wendell Finley, ^{4/} treasurer.

By its articles, applicant is authorized to issue 8,000 shares of no par common stock, and 2000 shares of preferred stock with a par value of \$100, for a total of 10,000 shares. The aggregate par value of all shares authorized to be issued is \$200,000.

Description of Proposed Area

The proposed area includes three subdivided tracts upon which the construction of homes is under way by Grove Vista Company and Republic Construction Company, subdividers and contractors, together with the so-called Finley Tract. The land comprising the subdivision was formerly owned by applicant's principals.

^{4/} Substituted as a director upon the death of Charles L. Barkdull, in April, 1955.

Description of Proposed Water System Installation

Exhibit No. 17 is a copy of an agreement, dated March 7, 1955, between applicant and Grove Vista Company, a co-partnership engaged in real estate subdivision. Said agreement provides for the advance by Grove Vista of \$125,024, in installment payments, for the construction of a portion of a water system, the details of which are set out in Appendix A, dated February 21, 1955, of said exhibit. Appendix A is a copy of a contract between R. C. R. Corp. and Rancho for the installation of that portion of the water system. Exhibit No. 18 is a copy of another contract, dated February 21, 1955, between R. C. R. Corp. and Rancho for the installation of additional water system facilities at a cost of \$52,440. The total cost of the water system proposed to be installed under said contracts is \$177,464.

The estimated cost of the proposed water system installation, to serve 708 consumers and a commercial area in the northwest corner of the proposed service area, was shown by a staff engineering witness in Exhibit No. 23 to be \$158,297. A witness for Dyke testified that water service could be furnished by Dyke to the proposed tracts for approximately \$140,000. Rancho's original estimated cost of facilities to be installed, filed as Exhibits Nos. 3 and 4 on January 20, 1955, amounted to \$192,279.^{5/}

Proposed Method of Operation

Applicant proposes to acquire two deep wells within the service area, with a total estimated production capacity of 1500 gallons per minute. Its books of account will be kept by its treasurer who is a certified public accountant. Its president will oversee the water system operations in conjunction with his duties as

^{5/} By Application No. 36651, dated January 19, 1955, applicant seeks authority to issue preferred and common stock in the total amount of \$193,000 in exchange for the cost of construction of the domestic water system and for cash as working capital.

manager of Tustin Water Works, a public utility water corporation furnishing water service in the vicinity of the City of Tustin, about four miles east of Santa Ana. Its vice-president will provide supervising time in conjunction with his other businesses in Santa Ana.

Conclusion

From a review of the record it appears that the sources of water supply and proposed water system installations are adequate to serve the area requested to be certificated. Applicant's witness testified that the water system installation could be made on a cost plus basis. Applicant should re-negotiate its contracts utilizing such basis.

The Commission is of the opinion and so finds that public convenience and necessity require that a certificate of public convenience and necessity be granted to Rancho Water Company covering the area described herein and that the application should be granted subject to the following provisions 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.

The action taken herein shall not be construed to be a finding of the value of the property herein described.

The order which follows will provide for the filing of the schedules of rates submitted in the Supplemental Application. Such filing will be authorized subject to review by the Commission after the utility's first full calendar year of operations.

O R D E R

Application and supplemental application as above entitled having been filed, public hearings 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 require that a certificate of public convenience and necessity be granted to Rancho Water Company, a corporation, in Tracts Nos. 1842, 2320, 2321, and the so-called Finley Tract in unincorporated territory, west of Garden Grove, Orange County, therefore,

IT IS HEREBY ORDERED as follows:

1. (a) That Rancho Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area described hereinabove.
- (b) That applicant, within 30 days following the first full calendar year of operations under the rates authorized herein, shall file with the Commission a report of such operations including gross revenues, operating expenses, taxes, depreciation, rate base and rate of return, and that such rates shall thereupon be subject to review by the Commission.
2. That applicant be, and it 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, 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 the Commission and to the public after filing as hereinabove provided.
3. That applicant shall cause its water system to be installed on a cost plus basis and shall notify this Commission in writing of the total cost and completion of the system for which this certificate is granted within thirty days of said completion.
4. That applicant shall file, within forty 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 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 various properties of applicant.

5. That 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 the Commission.

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

Dated at San Francisco, California,
this 28th day of June, 1955.

Robert E. Mitchell
President
Justin S. Calmer
George S. Lipterum
William J. Spahr
Bo Hardy
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory comprising Tracts Nos. 1842, 2320, and 2321 and the so-called Finley Tract west of Garden Grove, Orange County.

RATES

| Quantity Rates: | <u>Per Meter</u> <u>Per Month</u> |
|---|--------------------------------------|
| First 1,000 cu.ft. or less | \$ 2.50 |
| Next 1,000 cu.ft., per 100 cu.ft. | .15 |
| Next 1,000 cu.ft., per 100 cu.ft. | .13 |
| Next 7,000 cu.ft., per 100 cu.ft. | .11 |
| Over 10,000 cu.ft., per 100 cu.ft. | .09 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 2.50 |
| For 3/4-inch meter | 3.50 |
| For 1-inch meter | 7.50 |
| For 1 1/2-inch meter | 10.00 |
| For 2-inch meter | 15.00 |

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