

Decision No. 52863**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 IDEAL PETROLEUM COMPANY for a certifi-) Application No. 37709
 cate of public convenience and necessity.)

R. E. Ibbetson and F. T. Ibbetson, for applicant.
C. W. Drake, for the Commission staff.

O P I N I O N

The applicant, Ideal Petroleum Company, a corporation, has authority from this Commission to operate public utility water systems in two noncontiguous portions of Los Angeles County in the vicinity of the City of Lakewood and the vicinity of the community of Paramount, respectively, and in Orange County.¹ The systems are not interconnected. In and in the vicinity of the City of Lakewood the service area includes territory approximately bounded by Woodruff Avenue on the west, the San Gabriel River on the east, 14th Street on the north, and a line one block north of Camerino Street on the south.² Excepted from this service area is a strip of land approximately 350 feet in width extending north from the southern boundary thereof a distance of approximately 1,500 feet to

¹ Decision No. 34586, dated September 16, 1941, in Application No. 24234; Decision No. 46890, dated March 25, 1952, in Application No. 33046; Decision No. 51387, dated April 26, 1955, in Application No. 36675.

² These boundaries are not exact and it is not intended that the language herein shall in any manner modify the authority granted by the decisions referred to in footnote 1 above.

Orangethorpe Avenue and containing approximately nine acres (see Exhibit "A" on the application herein). This strip is surrounded on all but the southern end by territory which this Commission has authorized the applicant to serve, is known as Tract No. 18924, has been subdivided into 51 residential lots, and homes are being constructed thereon. It is entirely within the City of Lakewood.

By the application herein, filed on February 2, 1956, Ideal Petroleum Company seeks from this Commission a certificate of public convenience and necessity authorizing it to furnish water to the above-referred to nine acre strip of land.

A public hearing on the application was held before Examiner Kent C. Rogers in Los Angeles on March 7, 1956, and the matter was submitted. There were no protests. The Lakewood Water and Power Company, the only other public utility water company in the vicinity of the proposed service area, has advised the Commission that it has no objection to the granting of the requested authority. The subdivider of Tract No. 18924 has requested that applicant provide water in the subdivision. The City of Lakewood was notified of the hearing but made no appearance thereat. ✓

Restriction against Expansion of Applicant's Service Area

By Decision No. 46890, dated March 25, 1952, in Application No. 33046, Ideal Petroleum Company was restricted from further extending its water system in the vicinity of Lakewood without an order from this Commission.

General Information

Applicant and Union Development Company, Inc., are affiliated corporations each of which has the same five stockholders. While it is not clear as to the exact situation, it would appear that all of the properties used in the water business are owned by the applicant and that Union Development Company, Inc., has loaned the applicant various sums of money or purchased property on its behalf on an unsecured basis.³ In its present Lakewood service area applicant has 1,150 consumers. It secures its water from four wells with a total capacity of 1,200 gallons per minute.⁴ It has no storage tanks but has pressure tanks at the well sites. Its principal mains are eight inches in diameter. It has drilled a new well which has been tested at 500 gallons per minute. This well is approximately 2,500 feet northeast of the boundaries of its existing Lakewood service area. Applicant has an easement for a main from this well to its service area but has not yet installed a pump at the well.

Proposed Service in Tract No. 18924

The subdivider has drilled water well on Tract No. 18924⁵ capable of producing 300 gallons per minute. Eventually there will be 51 connections in the tract. Applicant's witness stated that each connection will require 125 gallons per day. Applicant intends, as soon as it receives authority to serve the area, to install a 100,000 gallon storage tank at the well site for use in the entire Lakewood service area. The subdivider will

3 See page 3 of Exhibit "D" in the application.

4 One of these wells with a total capacity of 250 gallons per minute is being abandoned due to the fact that a school is being constructed on the well site.

5 See Exhibit No. 1.

transfer the well and a piece of land 35 feet by 60 feet on which the well is situated to the applicant for \$400. The storage tank is to be located on this piece of land and is to be paid for by applicant. An 8-inch main, 4-inch feeder lines, and 1-inch copper connecting lines are to be installed in the tract (see Exhibit No. 1 for pipe layout). The cost of installing this pipe, an estimated \$8,200, is to be paid to the applicant by the subdivider who is to be reimbursed by the applicant out of the revenues received from the sale of water in the tract on the basis of 25 percent of the average annual revenue per customer for a period of not to exceed 17.6 years.⁶

All services are to be metered, and applicant will furnish the meters.

Rates

Applicant proposes to apply its presently filed metered rates to the area.

The Commission Staff Report

The Commission's Hydraulic Section staff made a report containing a series of recommendations concerning the application. This report was received in evidence as Exhibit No. 4. The report does not contain matter which differs materially from the evidence presented by the applicant but points out that the applicant has deviated from its filed rules and regulations, from General Order No. 96, and from the Uniform System of Accounts, and recommends that the applicant be given the authority it has requested but be required to correct the errors of commission or omission referred to above. Applicant's vice president stated that the matters set forth in the staff's report (Exhibit No. 4) are true and that it will comply with each of the staff's recommendations. In connection with the staff report (Exhibit No. 4, dated March 5, 1956) it should

⁶ See Exhibit No. 3.

be noted that reference is made on page 2 thereof to a long-term debt of \$59,024.54 owing by the applicant to the Union Development Company, Inc., and that no authority has been granted applicant by this Commission to incur such indebtedness. Exhibit "D" attached to the application, the financial statement of the latter company, lists a charge of \$32,835 owing from the applicant to said Union Development Company, Inc., for "advances due from Ideal Petroleum Company," on May 1, 1955.

Conclusion

Upon the evidence of record herein, the Commission is of the opinion and finds that public convenience and necessity require that applicant construct and operate a public utility water system in Tract No. 18924, a portion of the City of Lakewood, State of California, contiguous to its presently certificated area, as shown on the map attached to the application as Exhibit "A".

This certificate of public convenience and necessity is subject to the following provision of law:

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 Commission having found that public convenience and necessity require the construction by applicant of a public utility water system in Tract No. 18924, a portion of the City of Lakewood, State of California,

IT IS HEREBY ORDERED that:

1. Ideal Petroleum Company, a corporation, be, and it hereby is, granted a certificate of public convenience and necessity to

construct and operate a public utility water system in Tract No. 18924, a portion of the City of Lakewood, State of California, shown in Exhibit "A" attached to the application herein.

2. Ideal Petroleum Company be, and it is, authorized to revise, after the effective date of this order, its presently filed tariff schedules, including tariff service area maps, in conformity with General Order No. 96, to provide for the application of said tariff schedules for water service in the area being certificated by this order; such revised tariff sheets to be effective on or before the date when service is first rendered to the public in said area. Said revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Ideal Petroleum Company shall file within forty days after the effective date of this order four copies of a comprehensive map of the Lakewood area drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served by it in the vicinity of the City of Lakewood, including the territory it is authorized to serve by this decision, and showing thereon the subdivision tract number, if any, of each such parcel served and the decision number of this Commission pursuant to which it renders service to each such parcel of land; its principal water production, storage and distribution facilities; and the location of its various water system properties.

4. Ideal Petroleum Company shall, within forty days after the effective date of this order, file tariff schedules in accordance with General Order No. 96 to cover all types of service presently being furnished.

5. Ideal Petroleum Company shall, within forty days after the effective date of this order, file, in accordance with the provisions of General Order No. 96, copies of all existing contracts for the furnishing of water service, including any main extension contracts, and standard contract forms for main extensions based upon its filed main extension rule.

6. Ideal Petroleum Company shall revise its accounting practice and procedure to conform in all respects to this Commission's Uniform System of Accounts for Water Utilities effective January 1, 1955. Said company shall, within ninety days after the effective date of this order submit a true and correct copy of its accounts as of March 1, 1956, corrected to comply in all respects with the provisions of said Uniform System of Accounts.

7. Ideal Petroleum Company shall take such steps as may be necessary to assure that when any family, company, corporation, person, partnership or other entity performs service, purchases land or equipment, or constructs any plant for or on its behalf, records shall be kept in such a manner that the applicant and this Commission can readily determine the cost of such service, land, plant or equipment.

8. Ideal Petroleum Company shall, within ninety days after the effective date of this order, institute appropriate proceedings before this Commission to secure authorization for any long-term debts outstanding on the effective date of this order or heretofore and subsequent to September 16, 1941, incurred and fully paid prior to the effective date of this order.

9. Ideal Petroleum Company 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.

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

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

Dated at San Francisco, California, this 10th day of April, 1956.

John E. Mitchell
President
Justus J. Cramer
Paul W. Lintner
R. H. Hardy

Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.