

ORIGINAL

Decision No. 55730

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC WATER CO., a California)
 corporation, for a Certificate of)
 Public Convenience and Necessity)
 under Section 1001 of the Public)
 Utilities Code, to construct and)
 extend its water system and to ren-)
 der service to certain territory in)
 Orange County south of Bolsa Avenue,)
 north of Smeltzer Avenue and con-)
 tiguous to certificated territory of)
 applicant on the east.)

Application No. 39225
(Amended)

Moss, Lyon and Dunn, attorneys, by George C. Lyon and Everett L. Clark, consulting engineer, for applicant.

James G. Shields, for the Commission staff.

O P I N I O N

Pacific Water Co., ^{1/} a corporation, by the above-entitled application filed July 10, 1957, as amended August 16, 1957, to indicate the estimated cost of construction and proposed methods of financing, seeks authority to extend its water system in unincorporated territory of Orange County in the area shown on the map, Exhibit A, attached to the application.

A public hearing was held before Examiner Stewart C. Warner on August 21, 1957, at Santa Ana. The matter was consolidated for hearing with Second Supplemental Application No. 37161,

^{1/} Hereinafter referred to as applicant or Pacific.

of Dyke Water Company^{2/} to extend its water system into an area overlapped by the instant captioned application.^{3/} No protests to the granting of the application were entered.

By Decision No. 53862, dated October 1, 1956, in Application No. 36592, applicant was granted a certificate of public convenience and necessity, and its spheres of operations were created and delineated, covering its water system operations in southwestern Orange County^{4/}. Said spheres of operations have been designated by applicant as its Areas I and II as shown on the map, Exhibit No. 2, filed at the hearing herein. By Decision No. 55354, dated August 5, 1957, in Application No. 39031, the restriction contained in Paragraph 1.(a) of Decision No. 53862 (supra) was modified and applicant was granted a certificate of public convenience and necessity covering an area lying between Areas I and II (supra) as shown in green on said Exhibit No. 2.

The area requested herein is shown in red on Exhibit No. 2 (supra), and said requested area comprises 1,440 acres, bounded on the north by Bolsa Avenue, on the east by the half-section lying east of Verano Street comprising a westerly boundary of Area I, on the south by Smeltzer Avenue, and on the west by Cannery Street, a portion of which street comprises the easterly boundary of Orange County Water Works District No. 5. None of applicant's requested area lies within said water works district's boundaries.

^{2/} Dyke Water Company hereinafter referred to as Dyke.

^{3/} By its letter dated August 16, 1957, Dyke requested the dismissal of its Second Supplemental Application No. 37161, and by Decision No. 55550, dated September 10, 1957, said application was dismissed.

^{4/} Paragraph 1.(a) of the order in Decision No. 53862(supra) restricted Pacific from extending its water system outside the boundaries of its spheres of operations without further order of the Commission.

Basis of Application

Applicant based its application for authority to extend its water system further in this southwestern portion of Orange County on its allegations and the testimony of its witnesses, that the granting of the application would "square out" its water system operations; would thus improve its position to economically utilize Metropolitan Water District water in its southwestern Orange County water system operations; would encourage and enable it to complete a grid system interconnecting all of its operations in this portion of Orange County; would be advantageous to subdividers to have additional area certificated to it, thus eliminating delays in rendering water service to said subdividers; that the subdivision activity in this portion of Orange County was rapidly developing from north to south; that the Orange County Road department had received a request for the assignment of a tract number to a proposed subdivision in the southwestern portion of the requested area; that 15 or 20 consumers were receiving domestic water service immediately south of Bolsa Avenue, east and west of Brookhurst (formerly Wright) Street; that 2 or 3 residences were receiving domestic water service on Bolsa Avenue, between Cannery Avenue and Brookhurst Street; that as of May 1, 1957, as shown on Exhibit No. 3, it was furnishing water service to 1,912 consumers in Area I from interconnected wells in Area I with a total pumping plant production capacity of 4,553 gallons per minute, and to 1,018 consumers in Area II, of which 851 consumers were being served from 4 wells with a total pumping plant production capacity of 2,125 gallons per minute, and of which 167

consumers in Tract No. 2469, the so-called Bowles Tract, were being served from applicant's well No. 19 with a total pumping plant production capacity of 1,060 gallons per minute; that total pumping capacity in Areas I and II amounted to 7,738 gallons per minute, serving 2,930 consumers, and that by referring to Chart 2 of General Order No. 103 and using a "C" factor equal to 5, the number of consumers that could be served would be approximately 5,160, or an additional 2,230 consumers, with the existing production facilities; that its trust indenture provided no limitation on the amount of money that could be borrowed from the insurance company holding its bonds, up to 60 percent of net bondable plant; and that financing by future bond issues would be considered more favorably by prospective bond purchasers if applicant's certificated service area were of a size large enough to economically support applicant's water system operations.

Description of Proposed Area

The proposed area is flat, agricultural land, susceptible to subdivision, and similar to other areas in Orange County which have been rapidly subdivided. Exhibit No. 5 shows the culture of the requested area together with the location of the herein-before noted proposed subdivision within it.

Proposed Water System Operations

Applicant proposed to install a 12-inch transite pipe line east and west on Sugar Avenue, thence north on Cannery Street to Bolsa Avenue, and thence to Hazard Avenue. Eventually, applicant proposed also to install 12-inch transite east and west laterals in Hazard, Bolsa, and Smeltzer Avenues, and north and

south interconnecting 10- and 8-inch transite pipe lines in Verano and Brookhurst Streets. The main and secondary feeder lines will be constructed as needed, such need to be determined by the nature of the subdivision development in the area. A well, the estimated cost of which was \$25,000, capable of producing in excess of 120,000 gallons per hour, was proposed to be drilled on a well site to be acquired in the vicinity of Sugar Avenue and Brookhurst Street.

Applicant's consulting engineering witness testified that when the number of consumers reached or exceeded 5,000, it would then be economical to effect a connection with the Metropolitan Water District at Lewis Street in the northeast corner of applicant's Area I at a cost of approximately \$30,000, install the necessary transmission mains from such connection, and utilize Metropolitan Water District water to supplement applicant's ground water supplies from its wells.

The record shows that no connection with the Metropolitan Water District's north and south feeder line on Huntington Beach Boulevard, from the corner of Dale Street to Katella Avenue to the City of Huntington Beach, is available to applicant at the present time; that this pipe line was constructed as a joint project by the City of Huntington Beach, Orange County Water Works Districts Nos. 3 and 5, and the United States Navy; and that no water could be made available to applicant from said feeder line for delivery by applicant outside the boundaries of Orange County Water Works District No. 5.

Applicant's Orange County office for billing, emergency telephone, and service matters is located at 12061 East Bolsa Avenue, Santa Ana, and its location is shown on Exhibit No. 2 (supra). Applicant maintains full-time service crews at said office, and has installed two-way radio communication facilities between said office and 6 of its service trucks.

Applicant's southwestern Orange County water systems are between 40 and 50 percent metered, and a full-time metering crew is installing meters. Applicant intends to meter all consumers in the requested area.

Applicant proposed to apply its rates for its Laurel Square system in its requested area.

Financing

Applicant proposed two methods of financing water system installations in the requested area; (1) by internal funds on hand or borrowed, and (2) by the application of its main extension rule. Where additional well facilities were required to serve a prospective subdivision, applicant proposed to enter into a purchase contract wherein a subdivider would drill the well, pay for its costs, and be reimbursed by applicant.

Applicant's financial statement, as of June 30, 1957, (Exhibit No. 1-B) shows that it has received nearly \$318,000 in advances for construction of its water systems, which are subject to refund in accordance with its main extension policies and rules. Exhibit No. 1-B shows applicant's debt ratio as follows:

		<u>Percent Ratio</u>
Bonds	\$ 733,000	38.6%
Advances	317,781	16.7
Equity Capital		
Preferred Stock	368,530	19.4
Common Stock and Surplus	<u>478,424</u>	<u>25.3</u>
Total	\$1,897,735	100.0%

The relatively low common stock equity position of applicant justifies careful consideration of its future operations, especially if additional utility plant is to be created through consumers' or subdividers' advances which would be subject to refund under applicant's policies and rules. The Commission is of the opinion that applicant's common stock equity position should be improved, rather than depleted by the increase of advances received by it in the creation of additional utility plant.

Although applicant proposed to finance the 12" main feeder line on Sugar Avenue, Cannery Street, and Bolsa Avenue sixty per cent by the sale of bonds and forty per cent by the sale of stock, it expressed no specific proposal for the financing of the balance of its proposed main-feeder lines. Financing of such substantial portions of the system from subdividers advances would constitute a misapplication of its main-extension rule and would be contrary to the public interest. Such a rule is applicable to the extension of mains from substantial existing operative systems. Further, to permit applicant to improve its equity position, it will be required as a condition precedent to this order to finance by means other than through subdivider advances the full cost of all main feeder lines in its Orange County areas certificated by Decisions Nos. 55354, 53862 and this decision.

Dyke Services in the Requested Area

The record shows that Dyke is furnishing water service to about 15 or 20 consumers south of Bolsa Avenue, on the east and west sides of Brookhurst Street, and to several fire hydrants and two or three residences along Bolsa Avenue, between Brookhurst and Cannery Streets, from Dyke's water main in Bolsa

Avenue. The record shows that Dyke has no certificate of public convenience and necessity for the extension or construction of its water system for such water services; that they are not contiguous to any certificated area of Dyke; and that Dyke's water services thereto are unauthorized and unlawful.

Findings and Conclusions

From a review of the record it is evident and the Commission is of the opinion that applicant's sources of water supply are and will be adequate to serve the requested area when its sources of supply in its Areas I and II have been interconnected; and when it has completed its plans for adding to such sources of supply by the drilling of a new well or wells and by the effecting by applicant of a connection of applicant's water system to Metropolitan Water District facilities at Lewis Street.

The record shows that applicant has complied with provisions of the orders in Decisions Nos. 53862 and 55354 (supra) which restricted it from extending its water system outside its certificated area and spheres of operations in southwestern Orange County.

The record shows, also, that applicant's financial condition has substantially improved since December 31, 1955; has continued to improve since December 31, 1956; and that by filing its Application No. 38402^{5/} on September 11, 1956, as amended March 23, 1957, for authority to increase its rates for water service in its Orange County systems and for the establishment of a uniform rate

^{5/} Original hearings on this matter were held on July 24, 25, and 26, 1957, at Los Angeles, and adjourned hearings were held on September 18 and 19, 1957, at Los Angeles, October 9, 1957, at Santa Ana, October 10, 1957, at Artesia, and October 11, 1957, at Barstow.

for such water service, applicant has taken steps to further improve its financial condition as such condition relates to its Orange County operations.^{6/}

The Commission finds and concludes that public convenience and necessity requires that the restriction against Pacific's extending its water system beyond the boundaries of its spheres of operations delineated on the map, Appendix A of Decision No. 53862 (supra), as contained in Paragraph 1. (a) of the order in said decision and the like restriction contained in Paragraph 1 of the order in Decision No. 55354 (supra) be modified and that Pacific be granted a certificate of public convenience and necessity to construct, extend and operate its water system in the area delineated on the map, Exhibit "A", attached to said instant application, 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 or to an operating subdivision thereof, as the consideration for the issuance of such certificate of public convenience and necessity, or right.

The granting of the certificate of public convenience and necessity hereinafter shall not be construed to be a finding of the value of any of applicant's water system properties affected thereby.

The Commission finds and concludes that the public interest requires that Pacific should not, without further order of the Commission, extend its water system beyond the boundaries

^{6/} By its Applications Nos. 38441 and 38695 applicant seeks authority to increase its rates for water service in most of its water systems in San Bernardino and Los Angeles Counties. Hearings thereon have been held and noticed as indicated for Application No. 38402 in footnote ^{5/}.

of the area hereinafter certificated to it by the order which follows, and the area certificated to it by Decisions Nos. 53862 and 55354 (supra).

The Commission finds as a fact and concludes that Dyke has extended its water system and is furnishing water service to approximately 15 or 20 consumers south of Bolsa Avenue, on the east and west sides of Brookhurst Street and to several consumers along Bolsa Avenue between Brookhurst and Cannery Streets, without first having applied for and obtained a certificate of public convenience and necessity for such water system extension from the Commission in accordance with the provisions of Section 1001 of the Public Utilities Code.

Pacific will be ordered, hereinafter, to certify in writing to the Commission the exact date when it is ready to and will serve water to all consumers for domestic, construction or any other purposes within the areas certificated hereinafter to Pacific then being served by Dyke. Upon the receipt by the Commission of such certification, not earlier, however, than the effective date of the order herein, the Commission will issue such further orders as may be appropriate.

Pacific will be ordered, as a condition to the granting to applicant of the certificate hereinafter, to meter all water service connections in the area certificated herein.

In order to conserve ground water supplies, the order which follows will direct Pacific to diligently pursue and consummate its plans to effect a connection with Metropolitan Water District for the importation and utilization of Metropolitan Water District water in its Areas I and II, and the area certificated herein, and to diligently pursue and consummate its plans to

interconnect its spheres of operations in southwestern Orange County.

Pacific will be authorized and directed to apply its presently filed meter rates for its Laurel Square system to the area certificated hereinafter. Said system's rates are applicable to the majority of applicant's consumers in Orange County and are applicable to areas most representative of applicant's present and proposed operating conditions in the area. No change in applicant's present rates for water service will be authorized by the order herein.

O R D E R

Application, as amended, as above entitled, having been filed, a public hearing having been held, the matter having been submitted, and now being ready for a decision,

IT IS HEREBY ORDERED as follows:

That Paragraph 1.(a) of Decision No. 53862 and Paragraph 1 of Decision No. 55354, insofar as said paragraphs restrict applicant from extending its water system beyond the boundaries of its spheres of operations or outside the boundaries of its certificated areas, be and they are modified, and that Pacific Water Co., a corporation, be and it is granted a certificate of public convenience and necessity to construct, extend, and operate its public utility water systems in the area delineated on the map attached to the application as Exhibit "A".

This order shall become effective: (a) When applicant shall have filed with the Commission a written stipulation that it will finance with its own funds all of the costs of all water system backup facilities, including but not necessarily limited to production, storage, transmission and primary or main feeder distribution facilities (other than those local distribution facilities necessary to furnish service from the nearest main feeder lines, either proposed or existing, to and entirely within individual subdivisions, tracts, housing projects, industrial developments or organized service districts, which local distribution facilities are covered by advances under applicant's main extension rule) and (b) when

the Commission shall be satisfied with such stipulation and shall have issued its supplemental order of approval thereof. This order is intended, and shall be accepted by applicant, as a condition precedent, and the same shall be applicable to each and every subdivision to be created within the area hereinbefore certificated, and also the areas certificated by Decisions Nos. 53862 and 55354 (supra). The authority herein granted, subject to the foregoing condition precedent, will expire if the stipulation required by said condition precedent is not furnished to the Commission on or before January 1, 1958.

IT IS HEREBY FURTHER ORDERED:

1. That Pacific Water Co. shall not extend its water system outside the boundaries of the area for which a certificate of public convenience and necessity is granted hereinabove, without further order of the Commission.
2. That Pacific Water Co. shall provide water service to the 15 or 20 consumers south of Bolsa Avenue, on the east and west sides of Brookhurst Street and to the several consumers along Bolsa Avenue between Brookhurst and Cannery Streets, to all of which Dyke Water Company may be furnishing water service, and shall certify in writing to the Commission within 90 days after the effective date hereof, the exact date when it is ready to and will serve water to all consumers for domestic, construction or any other purposes in the area for which a certificate of public convenience and necessity is granted to Pacific, hereinabove, and then being served by Dyke Water Company.
3. That Pacific Water Co. shall install meters on all active water service connections within the area certificated herein.
4. That Pacific Water Co. shall diligently pursue and consummate its plans to effect a connection with Metropolitan Water District for the importation and utilization of Metropolitan Water District water in its Areas I and II, and the area certificated herein, and shall diligently pursue and consummate its plans to interconnect its spheres of operations in southwestern Orange County. Ninety days after the effective date hereof, and every ninety days thereafter, Pacific Water Co. shall file a progress report pertaining to such plans until consummation thereof.
- 5.a. That Pacific Water Co. be and it is authorized and directed to apply its presently filed rates for metered water service in its Laurel Square system to the area certificated by this order. No change in applicant's presently filed rates is authorized.

- b. That Pacific Water Co. shall, within thirty days after the effective date hereof, revise its Laurel Square tariff schedules, including its tariff service area maps, to include the area certificated herein, in a manner acceptable to the Commission and in accordance with General Order No. 96. Such rates, rules and tariff service area maps shall become effective upon five days' notice to the Commission and to the public, after filing as hereinabove provided.
- c. That Pacific Water Co. shall file, within one year after the effective date hereof, four copies of a comprehensive map 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; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant in the area certificated by this order.
- 6. That in all other respects Decisions Nos. 53862 and 55354 shall remain in full force and effect.

Dated at San Francisco, California, this 22nd day of October, 1957.

[Signature]
 President
[Signature]
[Signature]
[Signature]
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 Commissioners