

ORIGINAL

Decision No. 56155

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | |
|---|-----------------------|
| In the Matter of the Application of) | |
| GREAT WESTERN WATER SERVICE for a) | |
| Certificate of Public Convenience) | |
| and Necessity to furnish water) | Application No. 37874 |
| service in an area described as) | (Amended) |
| Kent Ranch in the vicinity of) | |
| Lancaster and Palmdale in the County)) | |
| of Los Angeles.) | |

Gray and Guy, attorneys, by Arthur D. Guy, Jr.,
for applicant.

Richard R. Entwistle and Donald B. Steger for
the Commission staff.

O P I N I O N

Great Western Water Service by the above-entitled appli-
cation, filed March 27, 1956, as first amended September 6, 1956,
as second amended February 15, 1957, and as third amended December 3,
1957, seeks a certificate of public convenience and necessity to con-
struct, extend and operate a public utility water system in the area
known as the Kent Ranch, northeast of the community of Palmdale, in
unincorporated territory of Los Angeles, known as R.S. 2174, presently
being served by Alpine Butte Water Co., a mutual water company,
comprising the NE½ of Section 5, T6N, R10W, SBB&M; R.S. 2175, com-
prising the NW½ of Section 4, T6N, R10W, S3B&M, and R.S. 2176,
comprising the SW½ of said Section 4. By its Third Amendment (supra)
applicant seeks authority to issue shares of its 3 percent cumulative
preferred stock to the mutual water company for certain of its

facilities, to issue a refund contract to Kebb Company, a subdivider, for facilities installed by said Kebb Company in R.S. 2175 and 2176, to issue common stock to Warren O. Wagner & Associates, consulting engineers, for professional and technical services, and to issue 3 percent convertible income bonds to Kebb Company for certain pumping plant facilities in R.S. 2175 and 2176.

Public hearings were held before Examiner Stewart C. Warner on November 12 and 13, 1957, at Lancaster. The matter was consolidated for hearing with Application No. 38322 of Herman C. Sommer, doing business as Deep Well Water Company, which was temporarily removed from the calendar at the request of the applicant, Application No. 39092 of Berto A. Olson, an individual, for a certificate of public convenience and necessity to construct and operate a public utility water system in the Palmdale-Lancaster area, Application No. 38642 of the applicant herein, for a certificate of public convenience and necessity to construct and operate a public utility water system in its so-called Tullos Ranch area, and Application No. 39161 of Pearland Water Company, for a certificate of public convenience and necessity to construct and operate a public utility water system. The instant application was submitted for decision subject to the filing of a third amendment to the application, setting forth the revised proposed financing of the acquisition of the Alpine Butte Water Company's water system and water system facilities owned and installed by Kebb Company.

General Information

By Decision No. 53985, dated October 30, 1956, in Application No. 38394, applicant herein was authorized to acquire the

water system owned and operated by Warren O. Wagner, an individual, doing business as Great Western Water Service. By Decision No. 52534, dated January 31, 1956, in Application No. 37453, Warren O. Wagner had been authorized to acquire the water system owned and operated by Chester C. Bagstad, an individual, who had been granted a certificate of public convenience and necessity to operate a public utility water system by Decision No. 43582, dated December 6, 1949, in Application No. 30425.

Description of Area, Present and Proposed Water System,
and Proposed Financing

Applicant furnishes water service in its Westmont District in an area comprising approximately 530 acres about 3 miles south of Palmdale and 4 miles west of Littlerock in Antelope Valley.

The area sought to be certificated herein comprises 480 acres located about 10 miles southeast of Lancaster and 8 miles northeast of Palmdale and is generally known as the Kent Ranch. The area has been subdivided into 186 2½-acre parcels and has recently been rezoned for resubdivision into 1½-acre parcels. Exhibit No. 1 is a map of the proposed area showing present and proposed water system facilities in R.S. 2174, 2175, and 2176.

The NE¼ of Section 5 (R.S. 2174) is receiving water service from the Alpine Butte Water Co., and applicant proposes to receive, as a donation to its water system fixed capital, the mutual's distribution mains of a depreciated historical cost of \$10,216.76. Applicant proposes to issue to the mutual company 1,337 shares of its 3 percent cumulative preferred stock in consideration of the acquisition by applicant of \$13,373.44 remaining depreciated value of other mutual facilities. Said facilities consist of a well, (No. 4)

with a 35-hp pumping unit having an estimated capacity of 300 gallons per minute, a 68,000-gallon storage tank, a 5,000-gallon pressure tank, and a 10-hp booster. Also to be acquired from the mutual company, and included in the proposed issuance of 3 percent preferred stock, is a second well (No. 7) with a 30-hp pumping unit which may be connected to the storage tank when required. Exhibit D attached to the Third Amendment to the application shows the total historical cost less depreciation reserve requirement of the Alpine Butte Water Co. system, as of November 13, 1957, to be \$23,590.20.

In R.S. 2175, Kebb Company, the subdivider, has installed 5,000 feet of 4½-inch O.D. 12 gauge asphalt dipped (not wrapped) steel mains which have been connected with the mains in R.S. 2174 for a source of water supply for R.S. 2175.

Applicant proposes to acquire two additional wells (Nos. 3 and 8) in R.S. 2176 from Kebb Company. Said wells have presently installed pumping plants of 50-hp and 20-hp units with production capacities of 500 gallons per minute and 300 gallons per minute, respectively. These facilities, applicant proposes to acquire from Kebb Company through the issuance of 3 percent convertible income bonds in the amount of \$12,324.86 as shown on Exhibit H of the Third Amendment to the application. The cost of the distribution system, as shown on Exhibits F and H of the Third Amendment to the application, in the amount of \$4,575.08 and \$23,875.80, respectively, for a total of \$28,450.88, is proposed to be covered by a refund agreement between applicant and the Kebb Company.

Professional and technical engineering services amounting to \$2,807.44, which represent 9½ percent of the cost of the water

system facilities, Items 1 through 6, in R.S. 2175 and 2176 as shown on Exhibit H of the Third Amendment, amounting to \$11,637.86 and 7½ percent of the cost of the distribution system related to said facilities totaling \$23,875.80, also as shown on Exhibit H of the Third Amendment, are proposed to be financed by the issuance of common stock to Warren O. Wagner & Associates, as noted hereinbefore.

At the present time, water service is being furnished to only two consumers and they are located in R.S. 2174, but the record shows that the area is rapidly developing as a desert recreational area, and as a suburban residential area for aircraft industry workers and others in Palmdale and Lancaster.

The record shows that the sources of water supply available to applicant are more than ample for present needs. However, the distribution pipe lines installed in R.S. 2174 by Alpine Butte Water Co. are of substandard quality and they do not meet the requirements of General Order No. 103.

Rates

The rates for water service proposed by applicant herein are as follows:

GENERAL METERED SERVICE

| Quantity Rates: | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| First 1,000 cu. ft. | \$ 3.50 |
| Next 1,000 cu. ft., per 100 cu. ft. | .20 |
| Next 1,000 cu. ft., per 100 cu. ft. | .18 |
| Next 2,000 cu. ft., per 100 cu. ft. | .15 |
| All Over 5,000 cu. ft., per 100 cu. ft. | .10 |

Other Evidence

Exhibits B-3, C-3, and D-3 of the Third Amendment to the application, are an income statement of applicant for the first

9 months of 1957, showing an operating loss of \$4,553.73 for that period, a statement of the historical cost of utility plant, depreciation reserve, and plant retirements for applicant's present Westmont District system, as of September 30, 1957, showing utility undepreciated plant of \$171,547.40, a related depreciated reserve of \$7,019, and a balance sheet of applicant's Westmont system as of September 30, 1957, showing, among other things, a face value of land sales contracts, as an asset, of \$195,222.81. Exhibit E-3 is a pro forma balance sheet as of September 30, 1957, of applicant, including the Kent system herein being considered.

Findings and Conclusions

It is found as a fact and concluded that public convenience and necessity require that the application for a certificate of public convenience and necessity be granted and that the issuance of 3 percent preferred stock, common stock, and 3 percent income bonds^{1/} be authorized. The certificate of public convenience and necessity granted hereinafter will be 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.

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

^{1/} Although designated as income bonds it appears that these obligations are not secured by mortgage or deed of trust and that no separate indenture is to be executed defining their terms, rights and remedies or naming a trustee.

The Commission finds as a fact and concludes that, in order that applicant shall not overextend its water system in the Kent Ranch beyond its source of water supply capacities and its financial abilities, the public interest requires that applicant be ordered not to extend its water system outside the boundaries of the area hereinafter certificated in the Kent Ranch without further order of the Commission.

Applicant's proposed rate structure is not in general conformance with the rates of other public utility water service in the proposed area in Antelope Valley. The order hereinafter will authorize applicant to file a schedule of rates which reflect a more reasonable type for the proposed service.

O R D E R

Application as amended having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

- 1.(a) That Great Western Water Service, a corporation, be, and it is, granted a certificate of public convenience and necessity to construct, extend, and operate a water system in the NE $\frac{1}{4}$ of Section 5 and the W $\frac{1}{2}$ of Section 4, T6N, R10W, SBB&M, in R.S. 2174, 2175, and 2176, known as the Kent Ranch, in unincorporated territory of Los Angeles County in the area shown on Exhibit No. 1 filed at the November, 1957, hearings.
- (b) That applicant shall not extend its water service outside the area certificated herein without further order of the Commission.

2. That applicant be, and it is, authorized to issue 1,337 shares of its 3 percent cumulative preferred stock in the total amount of \$13,373 to Alpine Butte Water Co., in consideration of the acquisition by applicant of the Alpine Butte Water Co.'s facilities, except its distribution mains, as shown in Exhibit D attached to the Third Amendment to the application.
3. That applicant be, and it is, authorized to issue its common stock in the face amount of \$2,807.44 to Warren O. Wagner & Associates in consideration of the payment by applicant thereto for professional and technical engineering services as shown in Exhibit H attached to the Third Amendment to the application.
4. That applicant be, and it is, authorized to issue its 3 percent convertible income bonds in the amount of \$12,324.86 to Kebb Company in consideration of the acquisition by applicant of the pumping plant facilities shown on Exhibit H of the Third Amendment to the application, said bonds to be in substantially the form of Exhibit A-3 attached to said Third Amendment.
5. That applicant be, and it is, authorized to use the proceeds from the issuance of the 3 percent preferred stock, common stock, and income bonds, authorized hereinabove, for the purposes set forth in the preceding opinion, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issue of the preferred and common stock bonds; herein authorized, is reasonably required by applicant for the purposes specified herein and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.
6. That the foregoing authorization is without prejudice to the authority of this Commission with respect to rates, service, accounts, valuation, estimates, or determinations of cost which may come before this Commission.
7. That applicant shall file with the Commission monthly reports as required by General Order No. 24A, which order, insofar as applicable, is made a part of this order.
8. That the authority to issue income bonds herein granted will become effective when applicant has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

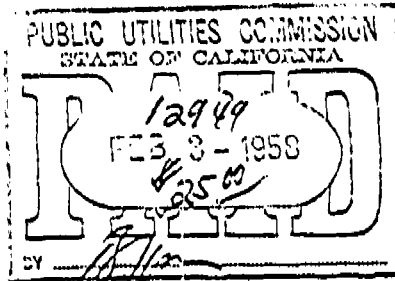
- 9(a) That applicant is authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order, to be effective in the area certificated herein on or before the date service is first rendered to the public, together with revised rules and tariff service area maps to include the area certificated herein, in a manner acceptable to this Commission and in accordance with the requirements of 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.
- (b) That applicant, within ten days after the system in the area certificated herein is placed in operation under the rates and rules authorized herein, shall notify the Commission in writing of the date when such operation began in said area.
- (c) That applicant shall file, within forty days after the system in the area certificated herein is placed in operation under the rates and rules authorized herein, four copies of an appropriate comprehensive map of said area, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and property served; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.
10. That applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals as of January first of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur for each plant account and 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 January, 1958.

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



APPENDIX A

Schedule No. AL-1

Alpine-Butte Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including 480 acres located near the intersection of Avenue Q 8 and 90th Street E, approximately 10 miles east of Palmdale, Los Angeles County.

RATES

| | <u>Per Meter</u> <u>Per Month</u> |
|---|--------------------------------------|
| Quantity Rates: | |
| First 1,000 cu. ft. or less..... | \$ 3.00 |
| Next 2,000 cu. ft., per 100 cu. ft. | .25 |
| Next 7,000 cu. ft., per 100 cu. ft. | .15 |
| Over 10,000 cu. ft., per 100 cu. ft. | .10 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 3.00 |
| For 3/4-inch meter | 3.75 |
| For 1-inch meter | 4.50 |
| For 1 1/2-inch meter | 6.00 |
| For 2-inch meter | 9.00 |
| For 3-inch meter | 20.00 |
| For 4-inch meter | 40.00 |

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