

ORIGINAL

Decision No. 57025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of YERBA BUENA WATER COMPANY, a corporation, for an Order authorizing it to extend its service area, to accept from a subdivider the improvements to be installed in said extended area, and for incorporation of said improvements into Applicant's rate base.

Application No. 39469,
Amended

F. B. Yoakum, Jr., for applicant.
James G. Shelds, for the Commission staff.

O P I N I O N

Applicant seeks authority to construct facilities and extend domestic water service to a 10-acre tract adjacent to Pacific Coast Highway in the vicinity of its existing service area in Ventura County.

Authority is also requested to enter into a written contract with Guy F. Williams, owner of the tract, for the furnishing of water upon the condition that Williams agrees to pay all expenses in connection therewith and to assign the improvements to applicant, the cost to be refunded to Williams pursuant to applicant's main extension rule.

Applicant further requests that it be required to serve the tract only in the event that a well to be drilled in nearby Yerba Buena Canyon is capable of producing a minimum of 50 gallons of water per minute.

Lastly, applicant requests that the reasonable value of the improvements to be so constructed and assigned "be treated as a part of Applicant's operative and capital investment for rate fixing purposes and that the same be forthwith incorporated into Applicant's rate base."

The application was heard and submitted at Los Angeles on April 22, 1958, before Examiner John M. Gregory.

Applicant serves some 23 consumers, chiefly occupants of small beach houses, in a 40-acre service area west of the Los Angeles-Ventura County line and generally in the vicinity of Pacific Coast Highway and Yerba Buena Road.

Williams, owner of the 10-acre tract, which has not yet been recorded as a subdivision in Ventura County or received approval by the Real Estate Commissioner, plans to subdivide the acreage into 40 lots and to build several homes initially, to be followed by others after the first ones are sold. No contract for extension of water service to the tract has as yet been drawn.

Applicant estimated that the cost of the proposed construction, to be advanced by the subdivider subject to refund, would be as follows:

<u>ITEM</u>	<u>APPLICANT'S ESTIMATED COST</u>
500' well, to produce about 50 g.p.m.	\$ 3,888
5 hp submersible pump, accessories and pipeline connection to existing system storage tank	1,500
40,000-gal. storage tank, new	3,557
Distribution pipeline	5,795
Contingencies and engineering (15%)	<u>2,211</u>
TOTAL ESTIMATED COST	\$16,951

Although there was considerable variance in estimates by the staff and applicant's engineer for peak month water use

requirements for full development of both the existing Yerba Buena system and the Williams tract, both agreed that an additional well, capable of producing about 50 g.p.m., and a new 40,000-gallon storage tank, are sound requirements. As of the date of the hearing, however, the development of the new well had not been begun and the site for the 40,000-gallon storage tank had not been finally determined. The company's position is that construction, including well development, will not be commenced until Commission authority is first given for the requested method of financing and construction.

Applicant's balance sheet, as of December 31, 1957, reveals the following data:

ASSETS

Total Current Assets	\$ 7,147.52	
Total Fixed Assets (net of depreciation reserve)	<u>27,280.07</u>	
		\$34,427.59

LIABILITIES AND CAPITAL

Total Liabilities	24,087.07	
Total Capital *	<u>10,340.52</u>	
		\$34,427.59

*Breakdown of total capital:

Capital Stock	\$ 26,000.00
Corporate Deficit	<u>(13,562.58)</u>
Loss on Retirements and Abandonments	<u>(2,734.00)</u>
Profit for Period	<u>637.10</u>
	<u>10,340.52</u>

(Red figure)

The \$7,147.52 in current assets includes \$5,663.61 which is not available for general corporate purposes. Of the latter amount, \$2,890.50 reflects unexpended advances for construction. The balance of \$2,773.11 represents the unexpended portion of

\$24,576 loaned to the company, without interest, by the State of California for the purpose of relocating pipelines which were in the State Highway. The loan is due in ten annual installments, commencing in 1955, and is covered by a contract authorized by this Commission on June 1, 1954, by Decision No. 50092, in Application No. 35427. The utility now owes \$20,640.80 on account of the principal of the loan, which sum is the chief component of the item of \$24,087.07, above, for "Total Liabilities". It has pending with the Board of Control a claim for cancellation of the debt.

The record, in our opinion, does not warrant issuance of the authority sought by applicant. Aside from the impropriety of including forthwith in the rate base the entire amount of the \$16,951 advance, there remain uncertainties concerning not only the productive capacity of the proposed new well but also the terms and conditions under which the utility will commit itself to make the extension, not to mention the difficulty of meeting the refund obligations of the extension in light of the utility's present debt burden to the State of California.

The Commission, in order to act upon such an application, should have before it all pertinent facts upon which to exercise an informed judgment. That is not the case here.

We conclude, therefore, that the application, as it now stands, is premature, but that the door should be left open for applicant and the subdivider to conclude final arrangements in the form of a written agreement covering all essential features of the proposed extension, including the items to be provided, the cost thereof, and the manner of repayment of any advances therefor. Results of tests of the new well should also be furnished, if developed.

The application will be denied, without prejudice to the filing of a supplemental application when the project has matured.

O R D E R

Public hearing having been held, the matter having been submitted, the Commission having concluded that the present record does not warrant granting the relief sought by applicant,

IT IS HEREBY ORDERED that the application of Yerba Buena Water Company herein be and it hereby is denied, without prejudice.

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

Dated at San Francisco, California, this 20th day of July, 1958.

E. Lynn Fox
President
Robert E. Mitchell
Paul Westerman
Theodore Jenner
Commissioners

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