

ORIGINALDecision No. 57378

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MOUNTAIN MESA WATER COMPANY, a)
 California corporation, for a certif-)
 icate of public convenience and)
 necessity to operate a public utility)
 water system.)

Application No. 39852
 Amended

Louis R. Deadrich, of Deadrich, Bates &
 Stewart, for applicant.
James G. Shields and Sidney J. Webb,
 Commission staff.

O P I N I O N

Mountain Mesa Water Company, by its application herein, filed February 27, 1958, as amended March 20, 1958, seeks a certificate of public convenience and necessity and authority to establish initial rates and to issue stock for the construction and operation of a water system in Tract No. 1962 and, ultimately, in all of Section 26, Township 26 South, Range 33 East, M.D.B.&M., excepting such portions of said Section as lie within the boundaries of Isabella Reservoir, in Kern County.

The application was submitted at a public hearing held July 1, 1958, at Isabella, before Examiner John M. Gregory.

The system has been installed by South Fork Development Company, which also furnished the well site on Lot 17 in the tract. The tract well, pumping and pressure equipment were installed by William W. and Grace L. Kissack. Service will be rendered initially to Tract No. 1962, covering 21 acres divided into 92 lots. The balance of Section 26, about 500 acres, will be developed later.

Capacity of the well on Lot 17, working pressures and main installations are adequate for normal operating conditions in the tract; however, development of the balance of the acreage will require

connection of a well on the Kissack Ranch, across Highway 178 to the north, or development of a comparable source of water, and additional storage or pressure facilities.

Total cost of the system, including installation of 92 meters, estimated cost of connection of the Kissack Ranch well, materials, supplies and working cash, amounts to approximately \$32,836. Applicant requests authority to issue 3,283 shares of its stock of the par value of \$10.00 per share in exchange for the system and for the estimated requirements for materials, supplies and working cash.

Applicant has proposed to render service under metered rates, with a quantity rate per meter per month of \$3.45 for a 5/8 x 3/4-inch meter, which will allow up to 500 cubic feet of water at the minimum monthly charge, as amended at the hearing.

Estimated results of operation at proposed metered rates for a future year, based on assumed full development of Tract No. 1962 but with complete data under those conditions not yet available, were developed at the hearing by the staff as follows:

<u>Item</u>	<u>Future Year (Est.)</u>
Operating Revenues	\$ 8,037
Operating Expenses, including Taxes and Depreciation	4,743
Net Revenue	3,294
Depreciated Rate Base	28,935
Rate of Return	11.3%

Applicant has requested a certificate for the entire area in Section 26 it ultimately proposes to serve. Although plans for full development of the area - other than connection of the Kissack Ranch well to the presently installed system - have not fully matured, the configuration of the whole area and its proximity to another development immediately to the south, for which a certificate is currently being sought by a different utility (Squirrel Mountain

Water Co., Application No. 40083), suggests the propriety of granting the authority as requested, but restricting it to service within Section 26 unless permission to extend service outside that section is first sought and secured from the Commission. Also, present authority to issue securities should be limited to what has been shown to be required for acquisition of the facilities heretofore described. Applicant may request authority at a later date to engage in additional financing as required by further developments.

Applicant's metered rate proposals appear to be reasonable for initial operations. They will be permitted to be filed in accordance with the provisions of the order which follows.

It is hereby found as a fact that public convenience and necessity will require the construction and operation of a public utility water system by Mountain Mesa Water Company, a corporation, in Tract No. 1962 and in all other portions of Section 26, Township 26 South, Range 33 East, M.D.B.&M. which lie southerly of the 2617-foot take line of Isabella Reservoir, in Kern County, as said areas are delineated on maps marked Exhibit B, Parts 1 and 2, attached to the original application herein. We conclude, therefore, that the application should be granted.

The certificate of public convenience and necessity issued herein is 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.

O R D E R

Public hearing having been held herein, the matter having been submitted and the Commission now being fully advised,

IT IS HEREBY ORDERED that:

1. A certificate of public convenience and necessity be and it hereby is granted to Mountain Mesa Water Company, a corporation, to construct and operate a public utility system for the sale and distribution of water within the territory hereinbefore described.

2. Applicant shall not extend its water system outside the boundaries of the area certificated herein without further order of the Commission.

3. 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 on or before the date service is first rendered to the public under the authority granted herein, together with rules and 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.

4. Applicant shall notify this Commission, in writing, of the date service is first furnished to the public under the rates and rules authorized herein, within ten days thereafter.

5. 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 for which this certificate is issued; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.

6. 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. Applicants 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 and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

7. (a) Applicant, after the effective date hereof and on or before January 1, 1959, may issue not exceeding 3,283 shares of its capital stock in exchange for the properties described herein, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of said stock is reasonably required by applicant for the purposes herein stated, which purposes are not wholly or in part reasonably chargeable to operating expenses or to income.
- (b) Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

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

Dated at San Francisco, California, this 29th day of September, 1958.

S. L. Fox
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area located adjacent to State Highway 178 and approximately three miles east of the community of Isabella, Kern County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu. ft. or less	\$ 3.45
Next 3,500 cu. ft., per 100 cu. ft.30
Over 4,000 cu. ft., per 100 cu. ft.16
 Minimum Charge:	
For 5/8 x 3/4-inch meter	3.45
For 3/4-inch meter	5.00
For 1-inch meter	7.00
For 1 1/2-inch meter	11.00
For 2-inch meter	17.00

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