

ORIGINAL

Decision No. 58368

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Antelope Valley Water Co., a corporation, for authority to extend its water system into additional areas, to operate such extended system in public utility water company service, and to exercise rights under county franchise.

Application No. 40506
(As amended)

William N. Taylor for applicant.
D. B. Steger and A. L. Gielegem for the
Commission staff.

O P I N I O N

A public hearing in this matter was held on January 6, 1959, before Examiner Grant E. Syphers at Lancaster, California, on which date evidence was adduced and the matter submitted. It now is ready for decision.

The applicant, a California corporation wholly owned and controlled by William N. Taylor and his wife, Katie S. Taylor, presently conducts public utility water services at various locations in Los Angeles and Kern Counties. It now seeks authority to serve additional territory in Kern County.

At the present time applicant is rendering service in an area known as the Carlsberg Tract which consists of two portions, one in which there are 16 houses now receiving water, and a second, to the east, wherein there are 83 users. Authority to

serve this area was granted by Decision No. 57232, dated August 26, 1958, in Application No. 39968, which contained the following restriction:

"That applicant shall not extend its water system outside the areas certificated herein without further order of the Commission."

Carlsberg, a subdivider, now plans to develop additional property which is contiguous to this tract and which consists of two parts, one of about 225 acres and one of 160 acres. It is planned to have 203 lots in the first portion and 80 in the second. Authority is requested herein to serve both parts of this new subdivision.

Fairchild, another subdivider, proposes to develop a subdivision located about a mile northwesterly of the Carlsberg tracts, consisting of 300 acres. This application also requests authority to serve this subdivision.

In the Carlsberg area applicant has one well which is capable of producing 2,400 gallons per minute and is connected to a 63,000-gallon storage tank and a 5,000-gallon pressure tank, and a second well in the eastern portion which has been tested at 1,200 gallons per minute and is connected to a 63,000-gallon storage tank and a 5,000-gallon pressure tank.

In the Fairchild area there is a well capable of producing 1,880 gallons per minute, and a 5,000-gallon pressure tank. Applicant has agreed to install a 63,000-gallon storage tank when the need arises.

The water from both of these areas has been tested and found to be satisfactory.

A witness for the Carlsberg interests testified that company proposes to start construction of 20 houses in about 60 days. The estimated cost of the pipelines to furnish water to this new subdivision will be \$11,200. There was attached to an amendment to the application an agreement concerning this subdivision, under the terms of which the subdivider agrees to transfer all water wells, systems, and facilities as they are developed to the Antelope Valley Water Company and to advance to the applicant the estimated reasonable cost of installing water distribution facilities. This money so advanced would be subject to the utility's refund rule which provides for a refund of 22 percent of the estimated annual revenue for a period of twenty years or until the advances are repaid. There is a deviation of this contract from the standard refund agreement in that the contract provides for the future acquisition of wells, well sites and other facilities.

A second agreement was attached to the amended application concerning the Fairchild subdivision, under the terms of which the subdivider agrees to bear the expense of the well and to dedicate the well and well site to the applicant. Likewise, the subdivider would advance the reasonable costs of any necessary water distribution installations and will be reimbursed therefor at the rate of 15 percent of the gross sale of water over a 25-year period.

The rates proposed to be charged are the same as those now being charged in the applicant's Inyokern Tariff Area.

Finally, it should be noted that applicant has received a franchise from Kern County dated July 23, 1957, under Ordinance F-47, which franchise covers the proposed service herein.

The Antelope Valley Water Company was first certificated by this Commission by Decision No. 54854, dated April 16, 1957, in Application No. 38284. Subsequently additional certificates were issued by Decisions Nos. 56561 and 57232. An aggregate area of approximately 2,300 acres has thus far been certificated to this company in eight areas in widely scattered locations in Antelope Valley. The evidence in this record discloses that only 128 customers existed in the 2,300 acres as of November 30, 1958. Further, there is no evidence that indicates the probability of any great increase in the number of customers in the future.

The income statement introduced by the utility as Exhibit No. 7, shows that for the eleven months ended November 30, 1958, that an operating deficit of \$1,635.96 resulted. Despite the more optimistic estimates of the applicant for the year 1959, we are not convinced that further expansion is justified. The prime obligation of the utility is continued reasonable service to its existing customers and for providing additional service in the areas in which it is presently certificated. There is no evidence in this record that indicates that the utility is capable of assuming the burden of further expansion.

We find that the evidence is not convincing that further expansion is economically feasible or that the utility can meet the many obligations incident to further expansion; therefore, in the broad public interest, this application will be denied.

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted, and the Commission being fully advised,

A. 40506 as amended - MP/GH*

IT IS HEREBY ORDERED that the application of Antelope Valley Water Company, a corporation, for a certificate of public convenience and necessity to extend service into new territory, be and it is denied.

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

Dated at San Francisco, California, this 5th day of May, 1959.

E. Lynn Fox
President
E. H. [unclear]
Michael [unclear]
John [unclear]
Commissioners

Commissioner Everett C. McKeag, being necessarily absent, did not participate in the disposition of this proceeding.