

ORIGINAL

Decision No. 59552

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of NORTH EDWARDS WATER CO., a corporation, for authority to construct a water system, to operate such system in public utility water service within certain areas in Kern County, California, to exercise any county franchises that may be required in connection therewith, and to issue stock.

Application No. 41410
Amended

Sanford A. Waugh, attorney, for applicant.
Donald B. Steger and Richard R. Entwistle for the
Commission staff.

O P I N I O N

North Edwards Water Co., a corporation, by the above-entitled application filed August 14, 1959, as amended November 19, 1959, seeks a certificate of public convenience and necessity to operate a public utility water system in unincorporated territory of Kern County about twenty miles east of Mojave north of Edwards Research Development Center (Edwards Air Force Base) north of U. S. Highway 466. Establishment of rates for water service, and authority to issue stock for the acquisition of water system properties and facilities are also sought.

A public hearing was held before Examiner Stewart C. Warner on December 15, 1959, at Lancaster. No protests to the granting of the application were entered.

General Information

The applicant was incorporated on June 15, 1959. Its First Directors are: Arthur W. Carlsberg, Jr., of Granada Hills, Sanford A. Waugh, of Lancaster, and Dona M. Hyko, of Palmdale. The directors are also the officers of the corporation, Arthur W. Carlsberg, Jr., being its president. By its articles of incorporation the applicant is authorized to issue 2500 shares of no par value stock of but one class.

The territory sought to be certificated comprises that portion of the N $\frac{1}{2}$ of Section 28, T 11 N, R 9 W, S.B.B.& M., lying west of Claymine Road, a total of approximately 215 acres, and the entire SW $\frac{1}{2}$ of Section 22, T 11 N, R 9 W, S.B.B.& M., comprising 160 acres, as shown on the sketch attached to the application as Exhibit "C" and on the map attached to the amendment to the application as Exhibit "D", and also as shown on the maps 1-A and 1-B attached to Exhibit No. 1. The portion of Section 28 covered by the application has been partially subdivided into Tract No. 2183 RS comprising thirty-two 2 $\frac{1}{2}$ -acre parcels, and into Tract No. 2062 comprising eighty-one $\frac{1}{2}$ -acre, more or less, lots. The applicant plans to start construction of 25 houses in Tract No. 2062 as soon as water service is available. The SW $\frac{1}{2}$ of Section 22 has been partially subdivided into Tract No. 2242RS comprising twenty-one 2 $\frac{1}{2}$ -acre parcels. The only development in this area is a church which has been constructed therein.

Attached to the application as Exhibit "B" is a statement of the financial condition, as of August 1, 1959, of Arthur W. Carlsberg, Jr., to the City National Bank of Beverly Hills, which shows total individual net worth if unincorporated, of \$465,341.75; total current liabilities of \$4500; and total mortgages or liens on real estate of \$113,000. Said statement shows total cash on hand and in the bank of \$6,341.75; and other assets consisting of real estate and buildings - \$374,000, mortgages and trust deeds, 1st liens, - \$75,000, mortgages and trust deeds, 2nd liens, - \$2,000, unlisted stocks and bonds - \$122,600, and cash value of life insurance - \$4,000. This individual is the owner and subdivider of all of the area proposed to be certificated and will install, or cause to be installed, all of the water system properties. He proposes to receive from the applicant 500 shares of stock in exchange for all water system facilities needed by the applicant at least during the first year or two of operations.

Sources of Water Supply and
Water Distribution System

As shown on the maps and sketches heretofore referred to, two areas of the Antelope Valley Water Co.'s service area adjoin the applicant's proposed area immediately on the south thereof. Said company is a corporation which, by Decision No. 57232, dated August 24, 1958, in Application No. 39968, amended, was authorized to construct and operate a public utility water system in the so-called Carlsberg area which is south of the N½ of Section 28, and which by Decision No. 56561, dated April 22, 1958, in Application No. 39331, amended, was authorized to operate a public utility water system in the so-called area B-2 (Omart) which is south of the SW¼ of Section

22. Said company is furnishing water service in its Carlsberg area to 25 customers but is equipped to serve 1200 customers. The well serving this area has an installed pumping plant with a production capacity of 480 gallons per minute and with a vertical booster plant capable of pumping 376 gallons per minute. The well has a tested capacity of 2400 gallons per minute. There is a 72,000-gallon storage tank and a 5000-gallon pressure tank in this system which is proposed to be connected to the applicant's water system through a 10-inch and an 8-inch connection to an existing 10-inch and 8-inch pipe line extending along a portion of the southerly boundary of the applicant's service area in Section 28. Said existing pipe line is shown in yellow on the map, Exhibit "D" supra. Water would be distributed therefrom through 4-inch, 6-inch, and 8-inch pipe lines.

The source of water supply of the Antelope Valley Water Co. in its area B-2 (Omart), where it is furnishing water service to 92 customers, and in which there are 408 subdivided lots, is a well which has an installed pumping plant with a production capacity of 550 gallons per minute and with a centrifugal booster plant capable of pumping 540 gallons per minute. The well has an estimated production capacity of 1400 gallons per minute. A 52,000-gallon storage tank is installed in this system. The AC Development Corporation, owned by Carlsberg, will pay approximately \$4,000 for the construction of a 6-inch pipe line, approximately 1300 feet in length, to connect Antelope Valley Water Co.'s B-2 area to the applicant's proposed area in Section 22. Carlsberg testified that said pipe line would be donated by AC Development Corporation to Antelope. The water system proposed to be installed in Tract No. 2242RS, in Section 22, will consist of 4-inch and 6-inch pipe lines.

The applicant may, in the future, as may be warranted, acquire a well site in Tract No. 2183RS and drill and equip a well there to serve said tract and Tract No. 2062 which will have been interconnected for initial operations. Also, the applicant may acquire and equip an existing 8-inch well west of Tract No. 2242RS, in Section 22. These acquisitions and source of water supply developments will be undertaken by the applicant only if the water system demands exceed the sources of supply from the Antelope Valley Water Co. The president of said company, and also president of William N. Taylor, Inc., a pipe-line construction company, testified that Antelope's two wells could be interconnected by the installation of approximately 1000 feet of pipe line to provide a standby source of supply in the event of the breakdown of either well, and during repairs to pumping equipment.

The record shows that the Antelope Valley Water Co. would be willing and able to furnish the applicant with all of its water supply needs according to Antelope's filed and effective tariffs. Such service would be furnished on a metered basis, and if the applicant's monthly requirements exceeded 5000 cubic feet the filed rate applicable would be 15 cents per 100 cubic feet for all in excess of that quantity.

The applicant proposes to meter all customers and has requested the establishment of the following schedule of rates for general metered service which are identical to those of Antelope Valley Water Co.:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu. ft. or less	\$ 3.00
Next 1,000 cu. ft., per 100 cu. ft.30
Next 1,400 cu. ft., per 100 cu. ft.25
Next 2,000 cu. ft., per 100 cu. ft.20
Over 5,000 cu. ft., per 100 cu. ft.15

The applicant seeks the establishment of a flat rate of \$5.00 per service per month for a residence with no more than 1½ acres.

Proposed Operating Practices and Public Needs

The applicant proposes to arrange with the managers of Antelope Valley Water Co., and said managers have agreed to join such arrangements, to have the meter reading, billing, and servicing of customer accounts done by the latter utility. General accounts of the applicant will be kept in the business offices of the Carlsberg interests.

The record shows that the proposed service area is near the Edwards Air Force Base where there are 12,000 employees with an annual payroll of about \$64 million; that Pacific Coast Borax Company has just completed a \$20 million expansion program at Boron where between one and two thousand persons will be employed; and that the so-called Rocket Base, which is officially known as the Captive Missile Test Base, just east of Edwards Air Force Base, has recently contracted for construction of a thrust test stand estimated to cost between \$5 and \$6 million; that the majority of the employees in the area live in Lancaster or Palmdale which necessitates a 40 or 50 mile daily round-trip to and from work; that there are already some 367 housing units in two or three sections in the vicinity; that the applicant has received numerous inquiries regarding the construction of housing facilities and that the demand therefor seems

to be quite great. The proposed area is flat desert land, gently sloping from north to south, and no particular water system utility operating problems are apparent except the existence of "hot soil", which problem will be met by the installation of asbestos-cement pipe universally throughout the system according to Kern County requirements. A witness for the applicant testified that all water system installations would meet the standards prescribed by the Commission's General Order No. 103. It appears that the sources of water supply available to the applicant, the storage, transmission, and distribution facilities presently installed or proposed to be acquired or installed by the applicant are adequate to meet the foreseeable demands of the applicant's water system. Pipe lines will be installed in private easements available to the applicant from the Carlsberg interests or others and no Kern County franchise is now required for the operations of the proposed utility. However, should such franchise be found to be necessary, the applicant will apply therefor. Water supplied by Antelope Valley Water Co. has been regularly tested by County health authorities, and has been found to be potable and free of contamination.

Financing

By Application No. 40506, Amended, Antelope Valley Water Co. sought authority to extend its water system into the area covered by the instant application. By Decision No. 58368, dated May 5, 1959, in Application No. 40506, supra, the authority sought was denied based on a finding that the evidence was not convincing that further expansion was economically feasible or that the Antelope Valley Water Co. could meet the many obligations incident to further expansion.

As to the proposed issuance of stock, the applicant's president testified that stock would be issued to cover all water system installation costs, except the aforementioned connecting pipe line to area B-2 of the Antelope Valley Water Co., and that he would advance to the applicant working cash amounting to approximately \$1,000 which likewise would be included in the stock issue and so recorded on the applicant's books of accounts.

Findings and Conclusions

After careful review of the record it is evident, and the Commission finds as a fact and concludes, that public convenience and necessity require that a certificate of public convenience and necessity be granted to North Edwards Water Co., a corporation, to construct and operate a public utility water system in the unincorporated territory of Kern County as applied for. No public convenience and necessity has been shown for the construction and operation of a public utility water system outside the boundaries of the area applied for and the order hereinafter will provide, therefore, that applicant shall not extend its water service outside the boundaries hereinafter certificated without further order of the Commission.

The certificate of public convenience and necessity granted hereinafter shall 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.

Since the applicant proposes to install meters on all customers' service connections, and no good reason is found for authorizing the filing of a rate for flat rate service, that portion of the application will be denied hereinafter.

The request for authority to issue 500 shares of no par value one class stock in exchange for the water system facilities to be acquired by the applicant, plus the \$1,000 of working cash, is found to be reasonable and will be granted hereinafter. Applicant should certify in writing to the Commission when it possesses clear title to the water system properties it acquires through the issuance of stock and the order which follows will so direct the applicant as a condition to a granting of the certificate.

Although, as noted heretofore, Antelope Valley Water Co. was denied authority to extend into the area covered by the instant application, the objections to financial responsibility appear to have been met by the incorporation of the applicant herein, and applicant plans to secure full equity in its properties through the proposed issuance of its stock.

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 decision based on the record in

the proceedings and the findings of fact and conclusions with respect thereto,

IT IS HEREBY ORDERED as follows:

1. a. That North Edwards Water Co. be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory of Kern County in the area comprising approximately 215 acres located in that portion of the N $\frac{1}{2}$ of Section 28 T 11 N, R 9 W, S.B.B. & M. lying west of Claymine Road and including Tracts Nos. 2183RS, and 2062, of Kern County, and in the area comprising 160 acres which are the SW $\frac{1}{2}$ of Section 22 of T 11 N, R 9 W, S.B.B. & M., and including Tract No. 2242RS of Kern County.
- b. That applicant shall not extend its water system outside the boundaries of the area certificated herein without further order of the Commission.
2. a. That applicant be, and it 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, 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.
- b. That applicant's request for authority to file a schedule of rates for flat rate service be and it is denied.
3. That 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 300 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 various properties of applicant.

4. 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 1st 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 the Commission.
5. That if the authorization herein granted is exercised, applicant shall procure and dedicate to water utility purposes the lots or areas on which the wells, pumps and tanks are or are to be located and easements or permits where the pipe-line mains are or are to be located in lots, other than in public streets and shall file, with this Commission, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement, dedication, easement or permit.
6. That applicant is authorized to issue 500 shares of its no par value one class capital stock to Arthur W. Carlsberg, Jr., in exchange for the water system facilities transferred by the latter to the applicant, together with \$1,000 of working cash capital. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of such stock, is reasonably required by applicant for the purposes herein stated and that such purposes are not reasonably chargeable to operating expenses or to income.
7. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24A, which order, insofar as applicable, is made a part of this order.

9. That the authority herein granted will lapse if not exercised within one year from the effective date hereof.

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

Dated at San Francisco, California, this 16th day of January, 1960

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

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

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain unincorporated territory including Tracts Nos. 2183, 2062 and 2242, and vicinity, adjacent to Clay Mine Road, approximately one mile north of Highway U.S. 466 and 20 miles easterly of Mojave, Kern County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu. ft. or less	\$ 3.00
Next 1,000 cu. ft., per 100 cu. ft.30
Next 1,400 cu. ft., per 100 cu. ft.25
Next 2,000 cu. ft., per 100 cu. ft.20
Over 5,000 cu. ft., per 100 cu. ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	6.00
For 1 1/2-inch meter	8.50
For 2-inch meter	12.00

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