

ORIGINALDecision No. 59915

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of H. L. SAGE/W.L. SAGE,
 DBA SAGE BROS., WATER SERVICE for
 certificate of public convenience
 and necessity to operate an existing
 water service at North Shafter, Calif.

Application No. 41424

W. L. Sage, for applicants.
John C. Reaves, Jr., for Shafter Public Utilities
 District, interested party.
Clyde F. Norris, for the Commission staff.

O P I N I O N

The Sage brothers filed this application on August 24, 1959 to secure a certificate of public convenience and necessity to render water service in an unincorporated area called North Shafter, Kern County. Public hearing was held before Examiner John Power at Shafter on October 20, 1959 and the matter was then submitted.

For some time prior to this filing, the Sages had operated a public utility system in South Shafter. It will be noted that both North and South Shafter are unincorporated areas adjoining the incorporated city of Shafter. At the same time, Mrs. Emma Mayer was operating the system involved here. Mrs. Mayer had no certificate to authorize her operation. Sage Bros. purchased the Mayer system for \$3,000 and filed the present application.

At the hearing it became apparent that an extraordinary situation existed. There exists, within the corporate limits of Shafter, a public district called the Shafter Public Utilities District. This district is co-terminus with the City of Shafter and

will not annex any territory unless such territory also annexes to the city. The district provides water service and sewage disposal to the townspeople.

A group of inhabitants of North Shafter, perhaps two thirds of them, had waited upon the Shafter City Council at one of its meetings shortly prior to the hearing on this application. These people were interested in getting proceedings started to annex their area to the city and to the district. At the time of the hearing, nothing had been done beyond an instruction to the City Attorney to prepare an annexation petition for circulation in the North Shafter area.

These proceedings seriously affect the applicants. Sage Bros. bought the Mayer system apparently with knowledge that it was unsatisfactory. This it certainly was, for the Commission's staff engineer noted in his report, Exhibit No. 6, that it did not comply with General Order No. 103. It would also appear that the purchase was made with intent to improve the property. At the time of the hearing applicants had purchased a well lot, reserved well casing, and ordered a pressure tank. Plans for improving the system were virtually complete.

The engineer for the Public Utilities District testified, however, that the district would probably not purchase the system as he had heard one of the applicants describe it in the latter's

testimony. This being so, any investment that the Commission might order applicants to make might result in practically a total loss since the district might parallel the present system and use none of the existing facilities including the well.

Nevertheless, the Commission will not grant this certificate without requiring applicants to submit a program for improvements to bring the system up to at least the minimum requirements of General Order No. 103 within a reasonable length of time. It is quite possible that the area being served by applicants in North Shafter may not be annexed to the City of Shafter and in that event we will expect applicants to complete such an improvement program.

Applicants propose to apply their presently-filed South Shafter rates to the North Shafter system. The Commission finds these rates to be fair and reasonable. The Commission further finds that public convenience and necessity require that the sought certificate be granted. The Commission finally finds that no order for improvements can be justified on the record now before us.

The certificate herein granted 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 for any amount of money in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Harold L. Sage and William L. Sage, doing business as Sage Bros. Water Service, to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.

IT IS FURTHER ORDERED as follows:

(1) Applicants are authorized to apply, after the effective date of this order, their presently effective tariff schedules to the areas certificated herein.

(2) Applicants are authorized and directed to revise, within thirty days after the effective date of this order and in conformity with General Order No. 96, such of their tariff schedules, including a tariff service area map acceptable to this Commission as are necessary to provide for the application of their tariff schedules to the area certificated herein. Such tariff sheets shall become effective upon five days' notice to the public and this Commission after filing as hereinabove provided.

(3) Applicants shall file within sixty days after the effective date of this order four copies of a comprehensive map, drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.

(4) Applicants 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.

(5) Applicants shall submit to this Commission in writing, within thirty days after the effective date of this order, a program of improvements to the water system certificated herein to bring the system up to at least the minimum standards prescribed by General Order No. 103. This program shall set forth in reasonable detail the categories wherein the system is deficient from such minimum standards and shall indicate the estimated costs of these facilities and also the dates when the respective portions of the scheduled improvements are to be completed and placed in operation. The program shall provide for completion of all the improvements by December 31, 1961.

(6) Applicants shall file in writing with this Commission every ninety days, after the effective date of this order, a report of their progress in completing the program to improve the water system referred to in Ordering Paragraph (5) above.

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

Dated at San Francisco, California, this 12th day of April, 1960.

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