

Decision No. 59931**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 GREAT WESTERN WATER SERVICE, a
 California corporation, for certificate
 of public convenience and necessity to
 furnish water service in various areas
 and vicinities of the Antelope Valley
 in the County of Los Angeles.

Application No. 39083
 Amended

GREAT WESTERN WATER SERVICE, a
 California corporation, for a permit to
 sell and issue certain of its common
 shares and certain of its Class A 3%
 Cumulative Preferred Shares, and/or
 Notes.

GREAT WESTERN WATER SERVICE, a
 California corporation, for authoriza-
 tion to enter into an agreement for
 purchase of certain existing and pro-
 posed water service facilities with
 subdividers, developers and existing
 communities or mutual water companies
 requesting and in need of public
 utility water service.

Henry E. Suzuki and Arthur D. Guy, Jr., and John L.
 Mathews for applicant.
Richard E. Fix, in propria persona, protestant.
Robert L. Schonlau, for County of Los Angeles, Department
 of County Engineer, Waterworks and Utilities
 Division, protestant.
William N. Taylor, for Antelope Valley Water Company,
 Interested party.
James G. Shields and A. L. Gielegem, for the
 Commission's staff.

O P I N I O N

Public hearings in this matter were held before Examiner
 Grant E. Syphers on April 21 and 22, 1959, at Lancaster, May 8,
 June 22, August 17, September 17, October 19, November 25, December
 2 and 15, 1959, and January 8, 1960, at Los Angeles. On these dates
 evidence was adduced and on the last named date the matter was submit-
 ted subject to the filing of late-filed exhibits and briefs. These

now have been filed and the matter is ready for decision.

The applicant conducts a public utility water service in portions of Los Angeles County. By Decision No. 43582, dated December 6, 1949, in Application No. 30425, authority was granted to one Chester C. Bagstad to construct and operate a public utility water system in a territory comprising 300 acres about four miles east of Littlerock in Los Angeles County. This certificate was transferred to Warren O. Wagner, an individual, by Decision No. 52534, dated January 31, 1956, in Application No. 37453. By Decision No. 53985, dated October 30, 1956, in Application No. 38394, Warren O. Wagner, an individual, sold the above-mentioned authority to Great Western Water Service, a California corporation. By Decision No. 54629, dated March 5, 1957, in Application No. 38630, Great Western Water Service purchased additional operating authority from the Desacres Water Company and thereby enlarged its service area to cover an area of approximately 430 acres. This area now is known as the Westmont District. By Decision No. 56155, dated January 28, 1958, in Application No. 37874, Great Western Water Service was granted a certificate to serve another area of approximately 480 acres known as Kent Ranch, and by Decision No. 56158, dated January 28, 1958, this corporation received another certificate to serve 960 acres known as Tullos Ranch.

Accordingly, as of the present time, this applicant has certificates to serve three areas, the Westmont District, the Kent Ranch which is now known as Alpine Butte No. 1, and the Tullos Ranch.

In the instant application authority is requested to provide service to an additional 13 areas in the Antelope Valley, 12 of these being in Los Angeles County and one in Kern County. However, in these hearings extensive testimony was presented as to only two of these areas. One of these is known as Alpine Butte No. 2 and consists of the following:

<u>Area</u>	<u>Acreage</u>	<u>Approximate Number of Consumers</u>
Shadow Mountain Mutual Water Company's present service area	160	32 Metered Services 4 Irrigation "
Antelope Center Water Association's present service area	40	19 (this includes 2 trailer courts, each of which is counted as one service)
Record of Survey No. 2217 (Mountain View Industrial Tract)	40	None
One-quarter mile strip of 600 feet depth on each side of 90th Street which is the intervening area between the above-three-mentioned areas	35	None

The second of these areas is known as Juniper Hills and consists of the following:

<u>Area</u>	<u>Acreage</u>	<u>Approximate Number of Consumers</u>
Record of Survey No. 2411 which is divided into 63 lots each of 2½ acres or more	169	None
Section 27 T5N, R10W, 5 BB&M including Record of Survey Nos. 2287 and 2330 which are divided into 53 parcels, each of 2½ acres or more	640	1
The E-1/8 of the NE½ of Section 34, T 5 N, R 10 W, SBB&M.	20	None
A supply corridor 330 feet in width and extending equally on each side of a common section line between Sections 9 and 10, 15 and 16, 21 and 22, in T 5 N, R 10 W, SBB&M, the length of this corridor being 3 miles	120	None

In the Alpine Butte No. 2 area, two of the territories are presently served by mutual water companies, the water distribution facilities of which the applicant proposes to buy. The Shadow Mountain Mutual Water Company is proposed to be sold to applicant at its net worth which is estimated to be slightly more than \$13,000. The Antelope Center Water Association is likewise proposed to be sold at a figure of slightly more than \$4,000. In order to finance these purchases, it is proposed to issue preferred stock to these mutuals and, in addition, to the owners of applicant for certain monies advanced. Likewise it is proposed to issue common stock for professional services to Warren O. Wagner and associates. The remaining parts of Alpine Butte No. 2 consist of a 40-acre industrial tract which is at present being used for agricultural purposes, and a connecting strip of land between the other areas.

In the Juniper Hills area the only tract which is to be the subject of any immediate development is the 169-acre parcel designated as Record of Survey No. 2411. This tract is being developed by a Mr. Ed Andrews who, at the hearing on December 2, 1959, requested that his lands be withdrawn from the proposed service area and further indicated that he no longer desires water service from this applicant. Excluding this so-called Andrews' property, then, from the Juniper Hills area there is but one water user in all of the remaining territory. This user has a dwelling house in Record of Survey 2287.

The water distribution facilities installed in these areas do not meet the requirements of General Order No. 103. In the Juniper Hills area there is approximately 2500 feet of noncirculating 2-inch pipe whereas the order specifies the maximum length of such pipe shall be 250 feet.

In the Shadow Mountain area the distribution facilities consist of approximately 13,000 feet of 2- and 2½-inch pipe which is mostly in poor condition with many long dead-end runs with insufficient valving, and with a shallow ground cover. The facilities in the Antelope Center Water Association's area consist of approximately 2000 feet of small diameter pipe in which there are long lengths of dead-end pipe lines. Again there is an inadequacy as to valves.

It also appears that the minimum pressures as required by General Order No. 103 cannot be maintained in either area.

Upon this record, therefore, the application as it relates to the Alpine Butte No. 2 area and the Juniper Hills area will be denied. We do not believe it to be sound policy to permit a water company to acquire the facilities of an existing mutual water company when these facilities are substandard and, in all probability, will lead to much trouble and complaints in the future. If this applicant desires to take over a mutual water company it should make arrangements to bring the facilities of that water company up to minimum standards prior to incorporating those facilities into the public utility's system.

As to the areas other than the mutual systems in Alpine Butte No. 2 and in Juniper Hills, the record discloses no need for utility service at the present time. Likewise, the facilities in these areas do not meet the minimum requirements of this Commission.

In the light of all of the evidence adduced herein, therefore, we find that the application should be denied.

As to the remaining territories covered by the application, for which no extensive evidence was adduced herein, we also find that

this part of the application should be denied. If the applicant believes that it can make an adequate showing for any of these areas, it may do so by filing other applications therefor.

Although the record in this application dealt principally with the Juniper Hills District and the Alpine Butte No. 2 District, the company's over-all operations were revealed in some detail. The record shows that many of the applicant's practices are not in the public interest and the Commission would be remiss in its duty to the public if it did not place applicant on notice that these practices must be discontinued.

The record shows that applicant has entered into numerous unauthorized agreements and construction contracts covering service outside of its previously certificated service areas. The extent of such agreements is revealed in Exhibit No. 11, which lists 26 such agreements, totalling \$1,678,865. Although applicant, in Exhibits Nos. 9 and 15, and in oral testimony has attempted to justify such actions, the reasons set forth are not convincing. Exhibit No. 15 shows that in addition to those in Alpine Butte No. 2 and Juniper Hills, some 32 customers are served in the widely scattered uncertificated areas as of November, 1959. The execution of agreements and contracts which result in such construction and utility service before authority is first obtained from this Commission must be discontinued.

Section 1001 of the Public Utilities Code provides that no water corporation shall begin the construction of a line, plant or system, or any extension thereof, without first obtaining from the Commission a certificate that such construction is required. For applicant to argue that it does not own the system, and merely acts as agent, evades the issue. Applicant in its testimony has indicated that it undertakes to serve the areas subject to authority of this Commission. The law is clear that such authority must be obtained before construction is commenced.

The record also shows that applicant has entered into several main extension agreements, particularly in the Westmont District, which contain many deviations from the utility's filed main extension rule. Exhibit No. 16 contains copies of a number of such agreements, none of which have obtained the authority required by Sections IX or X of General Order No. 96.

Additionally, the company in this record and through Exhibit No. 18 has indicated that it no longer considers itself rendering service to the area known as Kent Ranch and the area known as Tallos Ranch, and yet applicant in its filed tariff schedules, including maps, rates and preliminary statement, indicates that it holds itself forth to serve these areas. To request authorization to withdrawn from service in these areas, a proper petition must be filed in accordance with the Commission's rules of procedure.

The total record in this proceeding, in addition to the specific matters set forth above, clearly shows the lack of responsible management. Under such circumstances, the previously certificated operations of applicant must be restricted in the public interest and in this order will so provide.

O R D E R

Application as above entitled having been filed, public hearings having been held thereon, the Commission being fully advised in the premises and having made the foregoing findings,

IT IS ORDERED that Application No. 39083, as amended, be, and it hereby is, denied.

IT IS FURTHER ORDERED:

1. (a) That applicant shall not extend its water system outside of the several previously certificated areas and the existing extensions from such certificated areas heretofore made in its

Westmont District in the ordinary course of business as contemplated by Section 1001 of the Public Utilities Code without further order of this Commission.

(b) That applicant shall, within ten days after the effective date of this order, file a map or maps, acceptable to this Commission, of said areas as of the effective date of this order.

2. That applicant shall, within ninety days after the effective date of this order, procedurally file in accordance with the provisions of General Order No. 96, copies of all main extension contracts relating to service in the areas delineated by paragraph 1 above, including any such existing contracts not heretofore specifically authorized by a decision or resolution of this Commission.

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.

Grant A. [Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners