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Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
GARDEN WATER CORPORATION, a)
corporation, for a Certificate of)
Public Convenience and Necessity)
authorizing Applicant to furnish)
water service to Tract 2550 in the)
vicinity of Bakersfield, Kern County,)
California.)

Application No. 43732
(Filed September 6, 1961)

William E. Buckner, for applicant.

Alfred V. Day and Sidney J. Webb, for the
Commission staff.

O P I N I O N

This unprotested application was heard and submitted before Examiner E. Ronald Foster at Bakersfield on October 27, 1961. Copies of the application had been served upon nearby water companies and the Kern County Board of Supervisors and notices of hearing had been published and posted.

Applicant's Request

Applicant requests a certificate authorizing it to acquire, construct and operate a public utility water system and to extend its services to Tract No. 2550 in Kern County, located some five miles northwest of Bakersfield and approximately ten miles from applicant's presently certificated area, at rates and charges proposed in the application. Applicant also seeks to issue stock to finance acquisition of the water supply and distribution facilities.

Applicant's Present Operations

Since 1956 the applicant, Garden Water Corporation, has been operating a public utility water system in unincorporated territory adjacent to U. S. Highway No. 99 approximately five miles south of Bakersfield. Subsequent to the filing of the instant application by the Commission's Decision No. 63016 dated January 9, 1962, in prior Applications No. 43161^{1/} and No. 43552^{2/}, applicant was granted a certificate of public convenience and necessity to render water service in additional, non-contiguous territory located south of Bakersfield approximately one-half mile west of its previous service area, and was authorized to file schedules of increased rates for water service rendered in all areas after February 1, 1962. As of December 31, 1960, applicant's investment in utility plant was \$181,884. As of that date applicant was providing water service to more than 800 customers. In the additional, newly certificated area there are over 300 lots in the several subdivisions already planned.

Requested New Area

The area presently sought to be served by applicant is Tract No. 2550 containing approximately 40 acres, being the south-east quarter of the northeast quarter of Section 9, T. 29 S., R. 27 E., M.D.B. & M. (see map, Exhibit A). The tract is bounded on the south by Norris Road and on the east by Fruitvale Avenue, and has been subdivided into 101 residential lots varying in size from about 11,600 to 14,400 square feet in area (see map, Exhibit D).

Two small mutual water companies, each with a single well, render service in their respective areas located approximately one-quarter mile southeast of Tract No. 2550. No other water systems are operating near the area involved herein.

1/ Application No. 43161 filed February 16, 1961, and amended June 16, 1961, was a certificate proceeding.

2/ Application No. 43552 filed June 27, 1961, was a rate increase proceeding.

At the hearing, applicant's witness confirmed applicant's request to acquire the distribution system in Tract No. 2550, as well as the related water supply facilities, by means of equity financing. He also testified that a tentative request had been received for service to 20 acres located immediately south of Norris Road. In the event that such service is rendered to this or any other areas bordering on Tract No. 2550, it is applicant's intention that it will be done under the main extension rule, assuming that the certification requested herein is granted.

Wayne Reeder, Inc., the subdivider and developer of Tract No. 2550, is in the process of building homes therein. At the time of the hearing, about 35 houses were under construction or already completed, a few of which were occupied.

Description of Water System

A complete distribution system, consisting of 6-inch and 4-inch asbestos-cement mains laid partly in the streets but mostly in public utility easements through the middle of the blocks, has been installed by the subdivider to supply all lots in the tract. All customers' services are of 1-inch galvanized pipe. There are three wharf-type fire hydrants installed on the system.

Exhibit C is a pump test report on a previously existing well in the northeast corner of the tract. With a 40-horsepower pumping unit, the well produced 365 gallons of water per minute. The application states that this well will be equipped to deliver 200 gallons per minute into the system and will be used as a standby source of supply. The evidence shows the condition of the casing in the well to be uncertain and it is possible that the well may have to be rehabilitated.

The principal source of supply will be a well with 12-inch casing, 400 feet deep, located near the existing well, which has been drilled for the subdivider since the filing of the application herein. Exhibits 4, 5 and 6 show the characteristics of the well and of the water produced therefrom. No pump test had been performed but the well is estimated to be capable of producing not less than 600 gallons of water per minute. The laboratory reports indicate that the water is satisfactory for domestic use. Initially this well will be equipped with a 40-h.p. pumping unit capable of delivering 350 to 400 gallons per minute, through the hydropneumatic tank, into the system. When development of the tract requires it, a 75-h.p. pumping unit will be installed, capable of delivering 600 g.p.m.

Financing

The estimated cost of the water production and distribution facilities, as shown on Exhibit E, is as follows:

Lot and existing well	\$ 2,000
Well (new)	5,750
Pump (and 75 h.p. motor)	1,500
Pressure control equipment	1,250
3,123 ft. of six-inch pipe	8,432
2,242 ft. of four-inch pipe	4,484
Valves	750
Three fire hydrants	675
101 services	3,030
Total	<u>\$27,871</u>

To acquire the said facilities from the subdivider, applicant proposes to issue 5 percent preferred non-cumulative, non-voting stock in an amount not to exceed the actual cost of construction, as shown by invoices, including \$2,000 for a parcel of land of suitable size to contain the two wells and related water supply facilities. Accordingly, applicant requests permission to issue not to exceed \$28,000 of such stock, which the subdivider is said

to be willing to accept in payment therefor.

Consistent with the Commission's findings in Decision No. 63016, dated January 9, 1962, in Applications No. 43161 and No. 43552, concerning this same applicant, it is evident that the acquisition from the subdividers of the water properties needed to supply water service to Tract No. 2550 in the manner proposed will result in a sounder capital structure for applicant. This is to be desired in view of applicant's financial position as set forth in the aforementioned Decision No. 63016.

Tract No. 2550 is not contiguous to applicant's present service areas and it is so far distant that it would not be practicable to serve it by extending mains from applicant's existing facilities. As proposed, this acquisition by applicant will constitute the nucleus of a new service area, with sufficient water production facilities, from which extension into contiguous territory under applicant's filed main extension rule appears to be feasible.

Applicant's Articles of Incorporation, filed as part of Application No. 36883 and which have not been amended, show that it is authorized to issue only one class of shares of stock, the total number of which is 1,000 at a par value of \$100 per share, with an aggregate par value of \$100,000. Therefore it will be necessary for applicant to amend its Articles of Incorporation before it can issue the said preferred stock for the purpose proposed herein. The order authorizing the issuance thereof will be predicated upon the filing of applicant's Articles of Incorporation appropriately amended to provide for the issuance of such preferred stock.

Rates

For the service to be rendered in Tract No. 2550, applicant has proposed schedules of rates for general metered service and flat rates for residential service (Exhibit F). The proposed meter rates are identical with, and the proposed flat rates are almost the same as, those which applicant had requested in its then-pending Application No. 43552. The only difference is that in Application No. 43552 applicant proposed a rate of \$4.50 per month for service to a single-family residence, including premises not exceeding 10,000 square feet in area; whereas in the instant application the proposed rate is \$4.75 per month for similar service, including premises not exceeding 13,500 square feet in area. The proposed rate schedules in both applications include an additive rate of three cents per 100 square feet of area in excess of the respective basic areas.

In Decision No. 63016 rendered in Application No. 43552 the Commission found the proposed rates, both meter and flat, to be higher than could be justified, and somewhat lower rates were authorized and were found to be fair and reasonable for the service to be rendered on a system-wide basis. In particular, a rate of \$4.15 per month was authorized for service to a single-family residential unit, including premises not exceeding 10,000 square feet in area, with an additive rate of three cents for each 100 square feet of premises in excess of 10,000 square feet.

Applicant's witness testified that service in Tract No. 2550 is to be rendered as part of its system-wide operations, by the same personnel as that employed in the maintenance and operation of its other systems south of Bakersfield. The Commission finds that

the same rates and charges should be made applicable for service in Tract No. 2550 as those now in effect for the other portions of applicant's service area.

Applicant intends to render all service in this tract on the flat rate basis and to install meters on customers' services only to the extent that they may become necessary to discourage waste and careless use of water.

Staff Participation

Representatives of the Commission's staff cross-examined the applicant's witness. In addition, a staff engineer gave oral testimony concerning his field investigation of applicant's proposed operations.

The engineer pointed out that the distribution system includes three dead-ends, one of which terminates in a fire hydrant at a street corner and the other two of which terminate at interior lot corners with 2-inch blow-offs on them. He recommended that the latter two dead-end mains be extended to Fruitvale Avenue and then interconnected to provide for free circulation of the water. He also commented on the small size of the pipe connections to the pressure tank and the lack of an adequate clean-out for it.

The staff engineer also recommended that applicant use a rate of 2.3 percent for determining depreciation expense, which is the same rate applicable to the balance of applicant's depreciable utility plant. Other staff recommendations pertaining to the filing of tariffs and maps and to obtaining a water supply permit will be incorporated in the order herein.

Findings and Conclusions

Upon consideration of the evidence the Commission finds and concludes as follows:

1. Public convenience and necessity require that the requested certificate be granted as set forth in the ensuing order.

2. Applicant possesses the financial resources to acquire, construct and operate a water system in Tract No. 2550 for which a certificate is sought.

3. It will not be adverse to the public interest to authorize applicant to acquire the water properties in Tract No. 2550 in accordance with its proposal to finance such acquisitions by means of issuing equity capital in payment therefor as herein authorized, rather than by advances for construction under the main extension rule.

4. Applicant's rates and charges now on file and in effect for its other service areas are fair and reasonable for the service to be rendered in said Tract No. 2550.

5. With the installation of a second source of supply and upon the extension of certain dead-end mains in the manner to be specified by the order herein, the water supply and distribution facilities installed in Tract No. 2550 will provide reasonable service and will meet the minimum requirements of General Order No. 103.

6. Applicant should be required to apply to the appropriate public health authority for a permanent water supply permit.

7. The money, property or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purposes specified and such purposes are not in

whole or in part reasonably chargeable to operating expenses or to income.

The authorization herein granted is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in any future rate base for determination of just and reasonable rates.

The certificate hereinafter granted 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.

O R D E R

Public hearing having been held and based upon the evidence therein adduced,

IT IS ORDERED that:

1. A certificate of public convenience and necessity will be granted to Garden Water Corporation, a corporation, upon compliance with paragraph 2 hereof, authorizing it to acquire, construct and operate a public utility water system for the distribution and sale of water within Tract No. 2550, located in the southeast quarter of the northeast quarter of Section 9, T. 29 S., R. 27 E., M.D.B. & M., in Kern County.

2. A supplemental order will be issued herein granting such certificate when the following requirements have been accomplished in a manner acceptable to this Commission:

- a. Applicant shall rehabilitate the existing, secondary well, and shall install and place in operation thereon a pumping unit capable of producing at least 200 gallons of water per minute, together with the necessary connections for delivering the water into the distribution system; or applicant shall otherwise provide for the continuation of a reasonably adequate supply of water in case of the interruption or failure of applicant's primary well supply and its pumping facilities.
- b. Applicant shall extend to Fruitvale Avenue the two existing four-inch dead-end mains located north and south of the easterly extension of Cedarcrest Avenue. Said dead-ends shall then be interconnected by a pipeline not less than two inches in diameter laid along Fruitvale Avenue; or, in lieu thereof, applicant shall install the facilities necessary for flushing said dead-ends at Fruitvale Avenue.
- c. Applicant shall apply to the public health authority having jurisdiction for a permanent water supply permit covering all sources of supply proposed to be used and, within ten days thereafter, shall report to the Commission, in writing, that such application has been made.

Applicant shall notify the Commission in writing which of the optional installations shall have been selected and the manner in which the first two requirements of this paragraph 2 shall have been satisfied, within fifteen days thereafter.

3. a. After compliance with paragraph 2 of this order, as evidenced by the issuance of the Commission's supplemental order, hereinabove referred to, applicant is authorized to apply its presently effective rates and rules to the area certificated thereby, Tract No. 2550.

b. After such compliance and prior to the date service is first rendered to the public within the said tract, applicant is authorized to file with the Commission, in conformity with General Order No. 96-A and in a manner acceptable to the Commission, such

revised tariff sheets, including a tariff service area map, as are necessary to provide for the application of its tariff schedules to this area. Such revised tariff sheets 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 rendered to the public under the rates and rules authorized herein, within ten days thereafter.

5. Within thirty days after the system is first placed in operation under the rates and rules authorized herein, applicant shall file four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 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 applicant.

6. If the certificate be granted pursuant to said supplemental order and is exercised, applicant shall dedicate to public utility purposes the lots or land areas on which the wells, pumps, tanks and other related water supply facilities are located and any easements or permits where water mains are or will be located, other than in public streets. Applicant shall file, not later than 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 dedication, easement or permit.

7. On or before December 31, 1962, for the purposes set forth in the foregoing opinion, applicant is authorized to issue

not to exceed \$28,000 aggregate par value of its five percent preferred, non-cumulative, non-voting stock at par. The authority herein granted by this paragraph 7 shall not become effective until applicant shall have filed with this Commission a true copy of its Articles of Incorporation amended to authorize the issuance of this class of capital stock.

8. Applicant shall file with the Commission the report or reports required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

9. Except to the extent authorized herein, Application No. 43732 is hereby denied.

Such certificate as is granted by the aforesaid supplemental order and the authority to render service under the rates and rules authorized thereby will expire if not exercised within one year after the effective date of such supplemental order.

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

Dated at San Francisco, California, this 27th day of MARCH, 1962.

Charles W. Boga
 President

W. E. Rutledge

E. J. Fox

George J. Hoover

Frederick B. Hollings
 Commissioners