

ORIGINAL

Decision No. 63869

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the Windsor Utility Corporation, a California Corporation, for an order authorizing the creation of a lien upon the property of the said Windsor Utility Corporation.

Application No. 44453

Charles L. East and Lester L. Sauers, for applicant;  
Arthur C. Fegan and Sidney J. Webb, for the Commission staff.

O P I N I O N

This is an application for an order of the Commission authorizing Windsor Utility Corporation to execute a deed of trust and a mortgage of chattels and to issue a note in the principal amount of not to exceed \$45,000.

The application was filed on May 17, 1962. A public hearing was held before Examiner Coleman in San Francisco on June 11, 1962, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is engaged in operating a public utility water system serving approximately 80 customers located in and about the unincorporated community of Windsor, Sonoma County. The company was organized in 1938 and was

certificated by the Commission by Decision No. 31453, dated November 10, 1938, in Application No. 22252, at which time the Commission approved a schedule providing for flat rate service at \$2 per month. Subsequently, by Decision No. 40759, dated September 30, 1947, in Application No. 28315, the Commission authorized and directed the company to file a schedule of rates providing for general metered service. Such schedule was filed.

The record shows that applicant's source of supply consists of a well with a capacity of approximately 76 gallons per minute, that such supply is inadequate to meet the requirements in the certificated service area, and that applicant has not metered its services nor extended its lines, in all cases, to meet the needs of its territory. Assertedly, for example, Healdsburg Enterprises, Inc., a corporation owning real property and improvements in Windsor, upon being unable to obtain water service from applicant, installed its own well and other facilities and undertook water deliveries, on an accommodation basis, to two factories.

The testimony offered at the hearing shows that development in the territory has been retarded because of the inadequate water supply, that Charles L. East and Lester L. Sauers, the holders of the outstanding stock of Healdsburg Enterprises, Inc., have made, or are making, arrangements to acquire the outstanding stock of applicant and thereafter to transfer the private water system of Healdsburg Enterprises,

Inc., to the utility and to interconnect the two systems and to make other improvements in the facilities and service. Applicant has filed, as Exhibit 1, an inventory of its present properties, of facilities it intends to acquire from Healdsburg Enterprises, Inc., and of the proposed improvements. The inventory is as follows:

Actual replacement cost of Windsor Utility plant The plant at the present time has been depreciated to a low value over the past 23 years.	\$14,700
Well on Healdsburg Enterprises property This well is a 12" gravel packed well, 420 ft. deep and will produce 250 gpm.	6,000
1 - 30 hp. turbine with 260 ft. of 10" shaft	5,000
1 - Heavy duty 3,000 gal. pressure tank connected to pumping plant and then connected to fire system on industrial plant with 6" heavy duty steel pipe	3,000
Approximately two acres of land for tank site (The adjoining land to the east was sold for \$3,750 per acre.)	6,000
Connecting the two systems together with 6" pipe	4,000
80 - new meters (not including labor)	3,000
Mains to school and new development (6") and make circuit to old system	6,500
New 65,000 gal. steel tank on 85 ft. tower	11,000
Foundation for same (contractors' quote)	<u>1,000</u>
Total	<u>\$60,200</u>

The testimony indicates that the utility plant and reserve accounts of applicant are incomplete and inaccurate and for this reason the book figures have been replaced in the above tabulation with estimated replacement cost figures. The facilities to be acquired from Healdsburg Enterprises, Inc., are said to be priced at substantially the cost of construction and installation.

In order to finance itself, applicant has made arrangements to borrow from Crocker-Anglo National Bank at Healdsburg up to \$45,000, the borrowing to be represented by a note payable on or before three years after date of issue, with interest at the rate of not to exceed 7 percent per annum, although applicant expects the final arrangements to provide for a lower rate of interest. The payment of the note will be secured by a deed of trust and a mortgage of chattels.

Applicant's witness presented testimony showing that, in his opinion, the revenues to be expected from the utility operation would be more than sufficient to enable applicant to pay its operating expenses and to service the proposed note. It appears that there will be no monthly installments payable on the borrowing and that applicant will have the option, upon maturity, to renew the note.

If applicant's proposal were to be approved by the Commission, the utility properties would be subject to a substantial mortgage. On the other hand, it clearly appears that the public would be benefited. The well in the privately owned system of Healdsburg Enterprises, Inc., has a capacity of approximately 250 gallons per minute and this well, with its capacity substantially larger than the existing well, would be dedicated to the public and would be available to serve not only present customers, but also prospective customers. In addition, a circulating system would be

installed, an improvement and metering program would be undertaken and service would become available to additional customers with the result that growth in the service area would be promoted. Moreover, Mr. East, one of the new shareholders, has had many years experience in owning and operating public utility electric and water systems in this State.

It appears that service to the customers on the existing system has been given at the flat rate schedule which was approved in 1938 and that on the private system service is being given to one factory for \$25 per month and to the other factory for \$5 a month. While the witness for applicant testified that an application will be filed to increase rates, there is no such request before us at this time and we will require applicant to undertake and to continue the furnishing of water service under its presently filed rates.

Upon a full review of the matter now before us, we find and conclude that it would not be adverse to the public interest to approve applicant's proposed financing and we will enter our order granting this application. In making this order, however, we place applicant upon notice that we are not making a finding of value of its existing system, nor approving all the elements comprising applicant's reported and estimated costs, nor finding that all the items of property contained in Exhibit 1 are properly includable in

applicant's rate base. The action taken herein is for the issue of a note and is not to be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

A public hearing having been held in the above-entitled matter and the Commission being fully apprised in the premises and being of the opinion that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS ORDERED that -

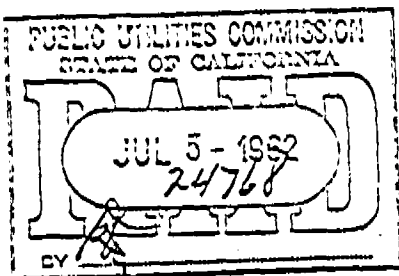
1. Windsor Utility Corporation, on and after the effective date hereof and on or before December 31, 1962, may execute a deed of trust and a mortgage of chattels in the same form, or substantially in the same form, as those filed in this proceeding, and may issue a note in the principal amount of not to exceed \$45,000 for the purposes specified in this application.

2. Windsor Utility Corporation is hereby directed to undertake and carry to completion by September 30, 1962, a program of metering its system and the system to be acquired from Healdsburg Enterprises, Inc., and to furnish water to all customers in accordance with its filed rate schedule. Windsor Utility Corporation shall notify the Commission, in writing, on or before October 15, 1962, of its compliance with the terms of this ordering paragraph.

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

4. The authority herein granted shall become effective when Windsor Utility Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$45.

Dated at San Francisco, California,  
this 2nd day of JULY, 1962.



George T. Grover  
President  
[Signature]  
[Signature]  
Frederick C. Hildebrand

Commissioners

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