

ORIGINAL

Decision No. 66095

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the practices, operations, contracts, rules, facilities and services of the Apple Valley Ranchos Water Company, a corporation, furnishing water as a public utility water corporation in and in the vicinity of Apple Valley, California.

Case No. 6160  
(Instituted July 29, 1958)  
(Amended September 29, 1958)

Ball, Hunt & Hart, by Joseph A. Ball, and Clark Heggeness, for the respondent.  
Cyril M. Saroyan, James G. Shields, R. O. Lamson, and A. L. Gleeghem, for the Commission staff.

O P I N I O N

This investigation on the Commission's own motion was instituted to determine whether Apple Valley Ranchos Water Company had violated or was violating any of its water main extension rules; whether it should or should not be ordered to set up a depreciation reserve; whether it has kept its books of accounts in accordance with the Uniform System of Accounts for Water Utilities and has recorded all of its water producing and distributing properties and facilities in said books of accounts; whether or not in the future it will have an adequate supply of water for the furnishing of service to its present and future customers; whether or not it should be ordered to refrain from extending its distribution facilities without further order from the Commission; whether or not it has reached

the limit of capacity to supply water; whether it is in violation of Section 1001 of the Public Utilities Code by providing service outside of its certificated area or in any area or areas that are non-contiguous to its certificated area; whether it is charging any of its customers other than tariff rates or is furnishing any water free; whether it is complying with the standards prescribed in General Order No. 103; whether it should be ordered to acquire legal title to and ownership of all physical plant by means of which it renders water service; and whether to enter any other lawful order.

At a public hearing held before Examiner Warner Commission staff engineering and accounting witnesses submitted 11 exhibits. Exhibit No. 1 is a map showing respondent's certificated area and its extended service area. Exhibits Nos. 2 through 11 are reports on the results of the investigation conducted by such witnesses. Respondent accepted the statements of fact set forth in said exhibits, agreed to comply with all recommendations, and correct any deficiencies.

Decision No. 58092, dated March 10, 1959, is an interim opinion and interim order which directed respondent to file studies relating to its utility plant showing the present ownership of the various facilities and the parties who paid for such facilities and the amounts paid; the means and estimated costs of acquiring title for such facilities; the original cost and related depreciation reserve requirement for all facilities; and the details of its proposal for establishing a special reserve account. Respondent was also directed not to transfer any amounts from its

earned surplus account until further order of the Commission. A Commission staff motion that respondent be restricted from extending its water service without prior Commission authorization, was denied.

Decision No. 58749, dated July 14, 1959, is a second interim opinion and order on respondent's petition for modification of Decision No. 58092, and for extension of time. Requested modification was denied, but compliance with ordering paragraphs No. 1(a) and (b) of Decision No. 58092 was extended indefinitely pending further order of the Commission.

An adjourned hearing was held before Examiner Warner on July 19, 1962, at Los Angeles. Exhibit No. 12 is a comprehensive report submitted by a Commission staff engineer setting forth the status of the investigation. Said exhibit shows that as of that date respondent had substantially complied with staff recommendations and the Commission's orders. It shows that respondent had corrected many deficiencies, including its main extension practices as to agreements regarding extensions and extensions outside of, but not contiguous to, its certificated area; the proper billing of customers including a golf course; and submission of an appraisal of its utility plant. It shows that the investigation into respondent's water supply could and was recommended to be dismissed. Said exhibit further shows that the question of respondent's

acquiring title to plant, particularly transmission and distribution mains, in which, since respondent's inception, it had claimed only the ownership of a right to beneficial use, still remained together with the proper accounting therefor. The question of the provision by respondent of a depreciation reserve applicable to its utility plant also remained.

Further hearing was held before Examiner Warner on January 17, 1963, at Los Angeles.

Exhibit No. 23, submitted by a staff engineer, is a supplemental report on the status of the investigation showing that respondent had suggested that a restriction on dividends be made and that all net income, after taxes, be placed in a reserve for replacement of plant. The staff engineer recommended that respondent retain those investments and sources of income producing the funds to be placed in the reserve. Recommendations were also made in said exhibit with respect to agreements transferring title to respondent.

The matter was submitted for decision upon the receipt of late-filed exhibits.

Exhibit No. 28 contains copies of revised agreements of transfer of all necessary title to and interest in utility plant to respondent.

Staff engineering and accounting memoranda, dated May 28 and May 31, 1963, respectively, have been received. They are hereby incorporated in the record as Exhibits Nos. 29 and 30.

Exhibit No. 29 shows that respondent was in the process of conforming currently active main extension agreements to presently prescribed forms; that respondent would submit a summary of plant installed as of December 31, 1962, by tracts; that a review of the relinquishment of title agreements indicated that title to all plant had been acquired; and that the summary of plant by tracts would serve to tie in with the dollar amounts to be entered on the books.

Exhibit No. 30 shows that the question of the costs of well sites had been settled in a manner satisfactory to staff accountants who recommended, also in said exhibit, that the filing of respondent's 1962 annual report to the Commission, in order to incorporate therein staff accounting recommendations regarding the classification of land, plant held for future use, non-operative property, and utility plant in service, be deferred pending completion of a staff review of the annual report. Said report, amended to conform to staff recommendations was filed August 15, 1963. Among other things, respondent showed in said amended report that it had set up a depreciation reserve of \$544,357 on its properties and, likewise, had accounted for the source of most of its properties as contributions in aid of construction.

Based on a review of the record including a review of respondent's 1962 annual report as amended, the Commission finds that respondent has carried out staff engineering and accounting recommendations, complied with the Commission's orders herein, and corrected deficiencies in its operations and practices disclosed as a result of the investigation.

The Commission concludes that the investigation should be discontinued.

O R D E R

IT IS ORDERED that:

1. Apple Valley Ranchos Water Company shall not declare or pay dividends and all net income, after taxes, shall be placed in a reserve for the replacement of plant, subject to the retention by it of those investments and sources of income producing the funds to be placed in the reserve.

2. Case No. 6160 is discontinued.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 1st day of October, 1963.

William L. Bernard  
President  
John C. Mitchell  
Everett W. Page  
George H. Hoover  
Fredrick B. Holcomb  
Commissioners