

ORIGINAL

Decision No. 67347

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Golconda Utilities)
 Company, a California corporation,)
 for a certificate of public con-)
 venience and necessity to operate)
 as a public utility water company;)
 to acquire the assets of Hinkley)
 Valley Water Company, a public)
 utility partnership comprised of)
 Robert J. Erwin and Forrest J.)
 Wood; and A. T. Smith Water Com-)
 pany, a public utility proprietor-)
 ship comprised of W. Paul Payne;)
 to issue securities; to establish)
 rates.)

Application No. 45772
 Filed September 12, 1963

W. Paul Payne, for Golconda Utilities Company,
 and in propria persona, applicants.
Raymond E. Heytens and Jerry J. Levander, for
 the Commission staff.

O P I N I O N

By this application, Golconda Utilities Company (Golconda), a corporation, seeks a certificate of public convenience and necessity to construct three public utility water systems. It proposes to operate them in conjunction with two additional utility systems it seeks to acquire from W. Paul Payne (Payne), doing business as A. T. Smith Water Company, and the partnership of Robert J. Erwin and Forrest J. Wood (Erwin & Wood), doing business as Hinkley Valley Water Company. Golconda also requests authority to issue securities and to file in its own name the rates now in effect within the various areas to be served. Payne and Erwin & Wood join in the application.

This application was heard before Examiner Catey at San Bernardino on February 17, 1964 and, as amended at the hearing to

modify the amount of certificated area and securities, was submitted on April 16, 1964, the date of filing of Golconda's late-filed Exhibit No. 3. Copies of the application and notice of hearing had been served in accordance with this Commission's rules of procedure. No protestants to the application appeared at the hearing.

Requested Certificate

Golconda's certificate request, as modified at the hearing includes some 160 acres of land in San Bernardino County, consisting of three parcels which are too far apart to permit a single integrated system. The parcels are delineated on the maps, Exhibit No. 5.

The Commission staff's Exhibit No. 4 shows that the Tract No. 3309 system was installed in 1949 and serves 88 of a potential 110 customers, the Tract No. 6089 system was installed in 1958 and serves three of a potential 22 customers, and the Section 26 system was constructed in 1959 and serves three of a potential 40 customers. Descriptions of the systems are set forth in Exhibit No. 4.

These systems were installed by the subdividers, who in at least two instances were the individuals making up the partnership Erwin & Wood, and were operated without authorization of this Commission. Golconda acquired these systems early in 1963 and continued the unauthorized utility service. Golconda's president testified that no additional construction, other than replacements and improvements, is needed to serve the three areas.

Golconda's requested certificated area near Tract No. 3309 is partly within the boundaries of the South San Bernardino County Water District. By late-filed Exhibit No. 3, applicant advised this Commission that the district objects to Golconda's serving the area within the district's boundaries.

A. T. Smith Water Company

By Decision No. 4711, dated October 3, 1917, in Application No. 3226, a certificate was granted to A. T. Smith, an individual, to exercise an Inyo County franchise to operate a water system in the unincorporated town of Keeler. There have been several transfers of ownership, the most recent having been the sale to Payne as authorized by Decision No. 62048, dated May 31, 1961, in Application No. 43321. Golconda proposes to acquire the assets of that utility in accordance with the written agreement entered into by the parties on February 25, 1963, a copy of which is Exhibit B to the application. The system to be acquired, which already has reached its ultimate of customers, is described in Exhibit No. 4. Inasmuch as Payne is president of Golconda, no change in actual management will result from the transfer of ownership.

Hinkley Valley Water Company

By Decision No. 58287, dated April 21, 1959, in Application No. 40749, a certificate was granted to Erwin & Wood to construct a public utility water system to serve Tract No. 5714, San Bernardino County, and certain adjacent territory. Golconda proposes to acquire the assets of that utility in accordance with the written agreement entered into by the parties on January 30, 1963, a copy of which is Exhibit A to the application. The system to be acquired, which serves 36 of its potential 50 customers, is described in Exhibit No. 4.

Tariffs

When Golconda took over the operation of the water systems in Tracts Nos. 3309 and 6089 and in Section 26, it continued billing at the monthly flat rates per customer previously charged in those

areas; \$5 in Tract No. 6089 and Section 26; \$4 in Tract No. 3309. Golconda proposes to offer service to customers having more than one residential unit on the same premises and requests that a charge of \$3 per month be authorized for each such additional unit. Golconda also proposes a schedule of rates for metered service, essentially the same as those now in effect for Erwin & Wood in the Hinkley area, with a minimum monthly charge of \$2.90 per month for 700 cubic feet or less through a 5/8 by 3/4-inch meter, with quantity rates ranging from 30 to 15 cents per hundred cubic feet for deliveries in excess of 700 cubic feet per month, and with proportionately larger minimum charges for larger meters.

Golconda did not present any estimates of the revenues which might be produced by the metered service. However, the Erwin & Wood rates are reasonably commensurate with Golconda's present flat rates and would tend to reduce waste in the somewhat arid territory served. The Commission staff recommends in Exhibit No. 4 that the meter rates be authorized for Golconda's systems in San Bernardino County, along with the Erwin & Wood rates for public fire hydrant service, and that flat rate service be discontinued within six months.

Golconda proposes no changes in the rates now on file by Payne and Erwin & Wood in their respective service areas.

Golconda's president testified that he was aware that the company would realize no return until the service areas reached a reasonable customer density. He estimated this might take four or five years.

Financing

Golconda, in a December 31, 1963 pro forma balance sheet filed as part of Exhibit No. 1 in this proceeding, reports total assets of \$101,960.67, which amount includes the utility properties

it proposes to acquire from Payne and from Erwin & Wood. To acquire these assets free and clear of all liabilities and to obtain additional working cash of \$2,596, Golconda proposes to pay cash in the amount of \$269 and to issue 10,835 shares of its \$1 par value common stock at \$10 per share or a total, for stock and premium, of \$108,350. The difference of \$4,062.33 between the reported amount of assets to be acquired and the consideration to be paid therefor, as represented by the \$108,350 of stock and \$269 of cash, results from changes in net worth during the period February 1 to December 31, 1963 caused by operating losses.

The Commission staff, in Exhibit No. 4, takes exception to the amounts recorded or to be recorded by Golconda as investment in utility plant, stating that such amounts are based in part upon unsupported estimates and appraisals, that some of the valuations are excessive, and that there are omissions and errors in regard to retirements and transfers of plant. The staff recommended that an inventory, original cost appraisal and depreciation reserve requirement study of the water system facilities be prepared for submission to the Commission.

Summary

In this proceeding, Golconda requests a certificate of public convenience and necessity to construct systems that are already constructed. The record shows that Golconda is already a public utility and should continue to provide service.

Under the circumstances outlined herein, Golconda will be authorized to issue only 260 shares of its capital stock in exchange for working capital, until such time as it completes an original cost appraisal and depreciation reserve requirement study, both prepared as of December 31, 1963. Upon completion of and based upon those studies, Golconda may file a petition for a supplemental

order in this proceeding, requesting authority to issue additional shares of its capital stock.

Several staff recommendations are set forth in Exhibit No. 4. Some already had been carried out as of the hearing date. Others are advisory only, requiring no specific directive in the ensuing order. The remaining recommendations, with minor modifications, are incorporated in the order herein.

Findings and Conclusions

The Commission finds that:

1. Golconda owns, controls, operates and manages water systems within the areas for which it requests a certificate of public convenience and necessity herein, sells and delivers water to the public within those areas, has dedicated its properties to the public use, and is a public utility water corporation subject to the jurisdiction of this Commission, pursuant to Section 2701 of the Public Utilities Code.
2. A portion of the area served by Golconda is within the boundaries of South San Bernardino County Water District.
3. At this time, there is no public need for the serving by Golconda of any additional customers within the present boundaries of South San Bernardino County Water District.
4. The rates and charges authorized herein are reasonable.
5. The sale and transfer to Golconda of the two water systems as proposed herein will not be adverse to the public interest and should be authorized.
6. The money to be procured by the issuance of the stock authorized herein is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

7. Golconda has not established and maintained proper accounting records for utility plant and depreciation reserve, has not furnished to this Commission recent data on the capacity of its well pumps, and has not provided for the measurement of water production as required by General Order No. 103.

8. Golconda should be directed to continue operating its present system.

The Commission concludes that the application herein should be granted as provided in the order which follows:

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is hereby granted to Golconda Utilities Company (Golconda), authorizing the construction of a public utility water system to supply its dedicated service areas in San Bernardino County, as such areas are delineated on the maps, Exhibit No. 5 herein, except that Golconda shall not serve any additional customers within the present boundaries of South San Bernardino County Water District without first having obtained authorization by further order of this Commission.

2. Within ten days after the effective date of this order, Golconda shall file the schedules of rates set forth in Appendix A to this order, tariff service area maps clearly indicating the boundaries of its dedicated service area and the portions thereof which are within the present boundaries of South San Bernardino County Water District, appropriate general rules and copies of printed forms used in dealing with customers. Such filing shall comply with General Order No. 96-A. The tariff schedules shall become effective on the date of filing.

3. Within one year after the effective date of this order, (a) the copartnership of Robert J. Erwin and Forrest J. Wood

(Erwin & Wood) and (b) W. Paul Payne (Payne) may transfer to Golconda the water systems known as Hinkley Valley Water Company and A. T. Smith Water Company, together with sellers' certificates of public convenience and necessity referred to herein, substantially in accordance with the agreements which are Exhibits A and B to the application.

4. After the effective date of this order and not less than five days before the date of each actual transfer, Golconda shall file the applicable schedule or schedules of rates set forth in Appendix B to this order, together with revised and additional tariff sheets, including tariff service area maps clearly indicating the boundaries of the additional tariff area or areas, to provide for the application of the new schedule or schedules. Such filing shall comply with General Order No. 96-A. The revised and additional sheets for each tariff area shall become effective on the date of actual transfer of the related system.

5. On or before the date of actual transfer of each water system as authorized herein, the seller shall refund all customers' deposits and advances for construction, if any, which are due and payable as of the date of transfer. All unrefunded deposits and advances shall be transferred to Golconda, which shall be responsible for their refund when due.

6. On or before the date of actual transfer of each water system as authorized herein, the seller shall deliver to Golconda, and Golconda shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties to be transferred.

7. Within five days after the date of actual transfer of each water system, the seller and Golconda jointly shall file written notification in this proceeding, showing:

- a. The date of actual transfer. A true copy of the instrument or instruments of transfer shall be attached to the notification.
- b. The dates of compliance with the foregoing paragraphs 5 and 6.
- c. An itemized list, showing the unrefunded amount of each deposit and each advance transferred from the seller to Golconda, and the name and address of the party in whose favor each such obligation exists.

8. Upon compliance with all of the applicable provisions of this order, each seller shall stand relieved of his public utility obligations in the area served by the transferred system.

9. Golconda may issue not to exceed \$260 aggregate par value of its capital stock for the purposes set forth herein.

10. Applicant shall file with this 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.

11. Within six months after the effective date of this order, Golconda shall establish and maintain records which will permit determination of plant accounting information for each separate water system based upon original cost, estimated if not known, and shall file in this proceeding an inventory and appraisal of such plant costs and a reserve requirement study for each system, both prepared by a qualified engineer.

12. Within six months after the effective date of this order, Golconda shall file in this proceeding:

- a. A statement of the pumping capacity of each of its wells, as determined by recent tests.

- b. Four copies each of comprehensive maps drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water storage and distribution facilities, and locations of Golconda's various water system properties.
- c. A verified statement showing that it has provided for the measurement of water production as required by General Order No. 103.

13. On or before December 31, 1964, Golconda may request, by an appropriate petition for supplemental order in this proceeding, authority to issue additional shares of stock in consideration of the net depreciated original cost of utility plant determined in accordance with the foregoing ordering paragraph 11.

14. Beginning with the year 1965, Golconda shall determine depreciation accruals by dividing the original cost of depreciable utility plant, less estimated future net salvage and less depreciation reserve, by the estimated remaining life of the plant. Applicant shall review the accruals whenever major changes in depreciable plant composition occur and for each plant account at intervals of not more than five years and, upon completion of each review, shall submit promptly to this Commission the results thereof.

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

Dated at San Francisco, California, this 10th day of June, 1964.

William L. Dennis
President

George A. Brewer
Commissioner

Frederic B. Hallock
Commissioner

APPENDIX A
Page 1 of 4

Schedule No. SA-1

San Bernardino Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 6089 and a portion of the southeast quarter of the southeast quarter of Section 26, Township 10 north, Range 3 west, S.B.E. & M., and vicinity, near Hinkley, and Tract No. 3309, and vicinity, near the City of San Bernardino, San Bernardino County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700 cu.ft. or less	.....	\$ 2.90
Next	4,300 cu.ft., per 100 cu.ft.	.....	.30
Next	5,000 cu.ft., per 100 cu.ft.	.....	.25
Over	10,000 cu.ft., per 100 cu.ft.	.....	.15

Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 2.90
For	3/4-inch meter	.....	4.00
For	1-inch meter	.....	6.25
For	1 1/2-inch meter	.....	10.00
For	2-inch meter	.....	16.00
For	3-inch meter	.....	26.00
For	4-inch meter	.....	42.50

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

APPENDIX A
Page 2 of 4

Schedule No. HI-2LX

Hinkley Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on a limited temporary basis.

TERRITORY

The area known as Tract No. 6089 and a portion of the southeast quarter of the southeast quarter of Section 26, Township 10 north, Range 3 west, S.B.B. & M., and vicinity, near Hinkley, San Bernardino County.

RATES

Per Service Connection
Per Month

1. For a single family residence or first unit of a multiple residence, including premises	\$5.00
a. For each additional residence, residential unit or house trailer located on the same premises served from the same service connection ..	3.00

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to the premises being served as of the effective date of this tariff sheet.
2. This schedule shall be effective only to and including December 31, 1964, and will thereafter be withdrawn.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. SA-1, General Metered Service.
4. All service not covered by the above classifications shall be furnished only on a metered basis .

Schedule No. ER-21X

Ersul Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on a limited temporary basis.

TERRITORY

The area known as Tract No. 3309, and vicinity, near the City of San Bernardino, San Bernardino County.

RATES

Per Service Connection
Per Month

- | | |
|--|--------|
| 1. For a single family residence or first unit of a multiple residence, including premises | \$4.00 |
| 2. a. For each additional residence, residential unit or house trailer located on the same premises served from the same service connection | 3.00 |

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to the premises being served as of the effective date of this tariff sheet.
2. This schedule shall be effective only to and including December 31, 1964, and will thereafter be withdrawn.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule SA-1, General Metered Service.
4. All service not covered by the above classifications shall be furnished only on a metered basis.

Schedule No. SA-5

San Bernardino Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

The area known as Tract No. 6089, and the portion of the southeast quarter of the southeast quarter of Section 26, Township 10 north, Range 3 west, S.B.B. & M., and vicinity, near Hinkley, and Tract No. 3309, and vicinity, near the City of San Bernardino, San Bernardino County.

RATE

	<u>Per Month</u>
For each fire hydrant	\$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. SA-1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

APPENDIX B
Page 1 of 4

Schedule No. SA-1

San Bernardino Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tracts Nos. 5714 and 6089 and a portion of (N)
the southeast quarter of the southeast quarter of Section 26, Town-
ship 10 north, Range 3 west, S.B.B. & M. and vicinity, near Hinkloy, and
Tract No. 3309, and vicinity, near the City of San Bernardino, San
Bernardino County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700 cu.ft. or less	\$ 2.90
Next	4,300 cu.ft., per 100 cu.ft. ....	.30
Next	5,000 cu.ft., per 100 cu.ft. ....	.25
Over	10,000 cu.ft., per 100 cu.ft. ....	.15

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.90
For	3/4-inch meter	4.00
For	1-inch meter	6.25
For	1 1/2-inch meter	10.00
For	2-inch meter	16.00
For	3-inch meter	26.00
For	4-inch meter	42.50

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

Schedule No. KE-1 (C)

Keeler Tariff Area (N)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Keeler and vicinity, Inyo County. (T)

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less	\$ 3.50
Next 4,000 cu.ft., per 100 cu.ft. ....	.30
Over 5,000 cu.ft., per 100 cu.ft. ....	.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	5.00
For 1-inch meter	7.50
For 1½-inch meter	15.00
For 2-inch meter	25.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

APPENDIX B
Page 3 of 4

Schedule No. KE-2 (C)

Keeler Tariff Area (N)

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Keeler and vicinity, Inyo County. (T)

RATES

Per Service Connection
Per Month

- | | |
|---|---------|
| 1. For a single family residence or first unit of a multiple residence, including premises | \$ 4.00 |
| a. For each additional residence, residential unit or house trailer located on the premises and served from the same service connection ... | 2.25 |
| 2. For each service station, grocery store, barber shop or drug store | 5.00 |
| 3. For each restaurant, bar or eating place, with a seating capacity of 15 or less .. | 7.00 |
| a. For each additional seat in excess of 15 seats | .15 |
| 4. For the Sierra Talc Company, manufacturing plant | 10.00 |

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis .

2. Meters may be installed at option of utility for above classifications, in which event service thereafter will be furnished only on the basis of Schedule No. KE-1, General Metered Service.

(T)

Schedule No. SA-5

San Bernardino Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

The area known as Tracts Nos. 5714 and 6089, and the portion of the southeast quarter of the southeast quarter of Section 26, Township 10 north, Range 3 west, S.B.B. & M., and vicinity, near Hinkley, and Tract No. 3309, and vicinity, near the City of San Bernardino, San Bernardino County. (N)

RATE

Per Month

For each fire hydrant \$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. SA-1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.