

**ORIGINAL**

Decision No. 69960

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
MESA CREST WATER COMPANY, a Califor- )  
nia corporation, for authority to )  
deviate from the main extension rule )  
and for authority to enter into a )  
special contract for the extension )  
of service. )

Application No. 47245  
(Filed January 8, 1965)

Frank W. Doherty, for applicant.  
Richards, Watson & Hemmerling, by  
Gilbert Dreyfuss, for Angeles Crest  
Development Co., Inc., interested  
party.  
Jerry J. Levander and Raymond E. Heytens,  
for the Commission staff.

INTERIM OPINION

Applicant seeks authority to enter into a so-called water contract, executed on January 21, 1957, and a modification of said contract, executed on January 14, 1961. In each agreement, Godbey Development Co. (Godbey), a copartnership, is described as buyer and Admiral Building Company (Admiral), a corporation, is described as seller of land in applicant's service area. Applicant is a party to neither agreement. Applicant also seeks authority (1) to deviate from its main extension rules to the extent that said contracts referred to above differ from said rules, and (2) to deviate from the present main extension rule with respect to the 50 percent limitation of outstanding customer advances in relation to depreciated utility plant.

Public hearings on the application were held before Examiner Rogers in Los Angeles on August 2, 1965 and September 23, 1965. On the latter date, the parties stipulated that an interim order might be entered and that the application be continued for further hearing.

By Decision No. 55615, dated September 24, 1957, in Application No. 38073 (filed on May 25, 1956 and amended on March 21 and May 22, 1957), applicant was granted a certificate of public convenience and necessity to construct and operate a public utility water system and to issue stock.

On November 6, 1957, effective November 11, 1957, applicant filed a main extension rule in accordance with this Commission's Decision No. 50580.

On March 13, 1963, effective March 17, 1963, applicant filed a main extension rule pursuant to Decision No. 64536.

All of applicant's originally outstanding stock was issued to Admiral. Subsequently, the Commission authorized an additional issue of stock to Admiral (Decision No. 62143, dated June 20, 1961, in Application No. 43413).

Initial service was extended by applicant to 63 lots of Track 20270 developed by the Kenbo Corporation. Shortly thereafter, Godbey contracted with Admiral to purchase the balance of property within the service area. Godbey developed Tract 24072, consisting of 91 lots. Subsequently, a portion of the east end of the service area, comprising about 62.5 acres, was acquired by

Jet Propulsion Laboratories. The remainder of the service area was then acquired by the Angeles Crest Development Co. (Angeles).

Angeles has developed Tract 24134, comprising 110 lots, Tract 29152, comprising 51 lots, a country club and golf course. Distribution mains, services and fire hydrants have been installed to serve all of these properties. Main extension agreements have been executed for the in-tract facilities for Tracts 24134 and 29152. A separate main extension agreement was executed for the installation of distribution facilities in Godbey Drive which connect the two above-mentioned tracts and serve the country club and a portion of the golf course. In addition to the mains, services and hydrants required for this service, it has been necessary to construct reservoirs at two different elevations and to install booster pumps to meet the elevation requirements of service.

Admiral executed an agreement known as a "Water Contract", dated January 21, 1957 (Exhibit "D" on Exhibit 1), which granted Godbey assurance that water service would be provided to the properties acquired by it. This contract was modified in part, on January 14, 1961 (Exhibit 5). These agreements require Godbey and its assigns to furnish adequate sites for booster plants and reservoirs, and further, that Godbey and its assigns shall advance the costs of all distribution facilities, including meters, booster plants and reservoirs required to serve the property being acquired by Godbey. These agreements provide that refunds, in the amount of 22 per cent of the revenue collected from the customers served from said facilities, will be paid to the party making the advances over a period of 20 years from the date of the main extension

agreement. Applicant proposes to apply the terms of the said agreements to the extension of service to all of its service area, exclusive of Tracts 20270 and 24072.

In carrying out the terms of said contracts, applicant proposes to execute separate agreements for the in-tract distribution facilities for each tract, each such agreement to be dated for the specific project. Separate agreements will then be entered into for the backup facilities, namely land, booster plants and reservoirs, such agreements to be dated as of the completion of construction of the plant covered by the agreement. Refunds in the amount of 22 per cent of the revenue derived from the in-tract facilities will be paid to the owner of the tract main extension agreement until the full amount advanced has been refunded or for 20 years from the date of said agreement, whichever occurs first. If refunds due under the in-tract agreements repay the amount of the advance prior to the expiration of the 20-year period, then refunds for the balance of the 20-year period will be paid to the owner of the agreement applicable to the backup facilities used in the service of that tract.

Main extension agreements have been issued by applicant for in-tract distribution systems in Tract 20270 (Kenbo) and Tract 24072 (Godbey). Backup facilities for these tracts were constructed with company funds.

Distribution systems have been installed by applicant in Godbey Drive and in Tracts 24134 and 29152 and a main extension agreement has been completed for each of these extensions. Another

agreement will be prepared by applicant for the advance covering the costs of two booster plants, three reservoirs and for the plant sites. Refunds applicable to the three extensions will be paid to the owners of the respective extension agreements. After the full amount of the advance has been repaid under each agreement, provided this occurs before the end of the 20-year period, the refunds will be paid to the owner of the backup facility agreement for the remaining term of each tract agreement.

In the event additional tracts are developed within a particular pressure zone for which backup facilities have been constructed, refunds will be made first for the in-tract systems and then for backup facilities in proportion to the portion of the tract that is served by the respective backup facilities. Tentative plans for such a tract are being prepared by Lincoln Savings and Loan Company for development of property acquired from Angeles, to be known as Tract 29701.

Each executed agreement (Exhibit "D" on Exhibit 1) was made after applicant applied for its certificate and the amendment (Exhibit 5) was executed after applicant received its certificate and commenced operations. Neither of said contracts includes applicant as a party, nor is applicant referred to therein.

Applicant has received a note for \$200,000 to cover the cost of construction of backup facilities for Angeles. This note has been endorsed to Admiral, which borrowed funds to finance the construction. Including this \$200,000 indebtedness for backup facilities and an estimated advance for construction of \$55,000 on Tract 29701, applicant's advances for construction will approximate

69.6 percent of its net utility plant by the end of 1965. The cash flow will not enable applicant to pay refunds on advances without additional funds from external sources.

Angeles is negotiating with the stockholders of Admiral for the acquisition of the stock of Admiral, which owns 100 percent of applicant's capital stock. If an agreement is reached, Angeles may cause applicant to withdraw the application herein in part and issue additional stock, rather than to execute refund agreements.

The parties have stipulated that the order herein may be entered.

The Commission finds that the facts hereinbefore recited are true. The Commission concludes that, based on the stipulation and the record herein, the interim order set forth herein should be entered.

#### INTERIM ORDER

IT IS ORDERED that:

1. Applicant shall not include the cost of meters in any main extension agreement, but shall pay for said meters from its own funds. Applicant shall, within 90 days after the effective date hereof, refund to the parties entitled thereto all amounts advanced for purchase of meters.
2. Applicant shall make no further main extensions or extensions of service beyond Tract 29701 without further order of this Commission.
3. Applicant shall notify applicants for water service of the various rate schedules available and of their right to elect service under whichever schedule is desired.

4. Within ninety days after the effective date hereof, applicant shall refile its tariffs, including a tariff service area map clearly indicating the boundaries of the service area, appropriate general rules, and copies of printed forms to be used in dealing with customers. Such filing shall comply with General Order No. 96-A.

5. A further hearing, on a date to be set by this Commission, shall be held to determine whether or not applicant should be permitted (1) to execute main extension agreements providing for deposit by the subdivider of funds for backup facilities and containing other nonstandard provisions relative to the apportionment of refunds and (2) to deviate from the main extension rule with respect to the 50 percent limitation of customer advances in relation to depreciated utility plant.

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

Dated at San Francisco, California, this 16th day of NOVEMBER, 1965.

Fredrick A. Hallock President  
George T. Grover  
Augusta  
William L. Bennett

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.