

Decision No. 70118**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

VANDENBERG UTILITIES CO.,

a California corporation, for a Certificate of Public Convenience and Necessity to Extend, Construct and Operate a Public Utility Water System.

Application No. 47804
(Filed August 10, 1965)
(Amended September 1, 1965)

OPINION AND ORDER

Vandenberg Utilities Co. seeks authority to extend its public utility water system in unincorporated territory of Santa Barbara County near Vandenberg Air Force Base north of Lompoc to serve Tract No. 10353 containing 56 acres to be subdivided into 77 lots. Said tract is contiguous to applicant's present system, and extension thereto could be made under Section 1001 except for restrictions against further extension without Commission authority imposed by Decision No. 60782, dated September 27, 1960, in Application No. 41673, and by Decision No. 64767, dated January 8, 1963, in Application No. 44281, and except for restrictions imposed by Rule No. 15 when applicant's ratio of advances for construction to net utility plant exceeds 50 per cent.

A report, dated November 2, 1965, on the results of an investigation of the application by a Commission staff financial examiner and by a Commission staff engineer has been submitted and is received as Exhibit No. 1. Said exhibit shows that initial earthwork in the tract has commenced and home construction is expected to begin in January, 1966, and that applicant's water supply and distribution system are adequate.

Exhibit No. 1 shows that, as of June 30, 1965, applicant's ratio of advances for construction to net utility plant was 60.1 per cent, which does not include the effect of the proposed main extension agreement in the instant application for an advance of \$30,347.43 to be entered into with the subdivider and developer, Vandenberg Village Development Co., the wholly-owned subsidiary of Utah Mining and Construction Company. Vandenberg Village Development Co. holds all of applicant's outstanding advance contracts. The proposed main extension agreement to serve Tract No. 10353 would be made according to applicant's regularly filed main extension rule which provides for refunds in cash. Although applicant was authorized by Decision No. 64767 to enter into a contract with applicant's directors providing for the issuance of common stock in lieu of cash refunds for certain main extension advances, no such contract was entered into and no such stock has been issued; existing agreements do not provide for refunds to be paid in common stock; and no provision for such issuance is contained in the proposed agreement involved herein.

Exhibit No. 1 also shows that net earnings and depreciation accruals would be fully adequate to meet cash refund obligations which would be created by the advance contract financing of the plant installations in Tract No. 10353, provided refunds on existing contracts are not paid in cash but are paid by issuance of common stock.

Exhibit No. 1 states that applicant is providing service through 3-inch, 6-inch, and 8-inch meters and applying minimum charges, while having no tariff applicable to these meter sizes. Exhibit No. 1 also states that applicant proposes to include in the advance for Tract No. 10353 the entire cost of a main sized to serve future extensions, which cost should be adjusted as required by applicant's Rule 15. A.3.c.

The Commission finds that:

1. The showing before the Commission contained in the application and in Exhibit No. 1 is sufficient to enable the Commission to decide this matter ex parte, as requested, and public hearing is not necessary.

2. There is a public demand for water service to Tract No. 10353.

3. Applicant has sufficient water supply and distribution facilities to serve adequately its existing customers and the requested area.

4. Applicant should be authorized to apply its presently filed tariffs to the area certificated.

5. The restrictions imposed by Decision No. 60782 against applicant's extending its water system outside its certificated area should be continued.

6. Before the Commission issues a supplemental order establishing the effective date of the authority granted herein, applicant should be required to reduce the ratio of advances refundable in cash to below 50 per cent of utility plant less depreciation reserve, or to reduce the cash refund obligations relating to existing subdivision main extension contracts by: (1) arranging for the refund in common stock of existing subdivision main extension contracts in lieu of cash refunds, and obtaining any necessary authorization from the Commission for the issuance of common stock for such purposes to the present holders of such contracts, or (2) obtaining from the holders of existing subdivision main extension contracts waivers of payment of cash refunds until such time as the ratio of advances refundable in cash to utility plant less depreciation reserve is less than 50 per cent, or (3) termination of such contracts under the provisions of applicant's Rule 15. C. 3.

7. Applicant should be required to file a tariff for service through 3-inch, 6-inch, and 8-inch meters.

8. Applicant should be required to adjust the cost of the facilities to be included in the advance for Tract No. 10353 in accordance with applicant's Rule 15. A.3.c.

The Commission concludes that the application should be granted upon the conditions prescribed in the following order.

The certificate hereinafter granted shall be subject to the following provision of law:

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

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant Vandenberg Utilities Co., subject to the conditions of this order, authorizing it to construct an extension of its water system to serve Tract No. 10353, Santa Barbara County, as delineated on the map attached to the application herein as Exhibit A.

2. Within one year after the effective date of this order and not later than four days before service is first furnished to the public under the authority granted herein, applicant may file additional and revised tariff sheets, including a tariff service area map, to provide for the application of its tariffs to the area certificated herein. Such filing shall comply with General Order No. 96-A, and the additional and revised sheets shall become effective on the fourth day after the date of filing. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

3. Within ten days after the date service is first rendered to the public under the rates and rules authorized herein, applicant shall submit written notice thereof to this Commission.

4. Within sixty days after the system is first placed in operation under the authority granted herein, applicant shall file four copies of a comprehensive map, drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings the tract of land and territory served, the distribution facilities and the location of the various properties related to the water system certificated herein.

5. Applicant shall adjust the construction cost of facilities to serve Tract No. 10353 for the main sized to serve future customers in accordance with Rule 15. A. 3. c., and shall notify the Commission in writing within ten days thereafter, giving details of the determination of the adjustment factor and of the computation of the adjusted construction cost.

6. Applicant shall file tariff schedules for service through 3-inch, 6-inch, and 8-inch meters. Such filing shall comply with General Order No. 96-A, and the tariff sheets shall become effective on the fourth day after the date of filing.

7. Applicant shall reduce its ratio of advances refundable in cash to below 50 per cent of utility plant less depreciation reserve, or shall reduce the cash refund obligations relating to existing subdivision main extension contracts, in a manner acceptable to the Commission, by: (1) arranging for the refund in common stock of existing subdivision main extension contracts in lieu of cash refunds, and obtain any necessary authorization from the Commission for the issuance of common stock for such purposes to the present holders of such contracts, or (2) obtaining from the holders of existing subdivision main extension contracts waivers of payment of cash refunds until such time as the ratio of advances refundable in cash to utility plant less depreciation reserve is less than 50 per cent, or (3)

termination of such contracts under the provisions of applicant's Rule 15. C. 3.

8. Applicant shall not extend service outside of its certificated areas, nor file any revised tariff service area map indicating its willingness so to extend service without first having obtained authorization therefor by further order of this Commission.

The effective date of this order shall be fixed by supplemental order after compliance with paragraphs 6 and 7 of this order.

Dated at San Francisco, California, this 21st day of December, 1965.

Fredrick B. Holdoff
President
Arthur E. Mitchell
George H. Crover
Augustin
William L. Quinn
Commissioners