

ORIGINALDecision No. 70466

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GOLCONDA UTILITIES COMPANY,
a California corporation, to operate a
WATER SYSTEM in the vicinity of LOMA LINDA,
to establish rates, and to issue a \$19,286
note.

Application No. 47700
(Filed June 22, 1965)

Investigation on the Commission's own motion
into the operations, rates, rules, tariffs,
contracts, practices, equipment, facilities
and service of GOLCONDA UTILITIES COMPANY,
a corporation.

Case No. 8166
(Filed April 28, 1965)

W. Paul Payne, for Golconda Utilities Company,
applicant in Application No. 47700 and
respondent in Case No. 8166.

Raymond E. Heytens and Chester O. Newman,
for the Commission staff.

O P I N I O N

In Application No. 47700, as amended November 16, 1965 and December 7, 1965, Golconda Utilities Company (GUC) seeks (1) a certificate of public convenience and necessity relating to the construction of a public utility water system, (2) authority to issue stock, and (3) authority to increase rates for water service within the requested area. Case No. 8166 is an investigation on the Commission's own motion into the overall operations of GUC.

Public hearing on the application and the Las Palmas phase of the investigation was held on a consolidated record before Examiner Catey in San Bernardino on December 7, 1965. Copies of the application had been served and notice of hearing published and mailed to customers. The application and the Las Palmas phase of the investigation were submitted on December 7, 1965.

Testimony on behalf of GUC was presented by its president. The Commission staff presentation was made by an engineer and an accountant. Four customers testified as to rates and service.

Service Areas

GUC is a California corporation, owning and/or operating several small water systems in Southern California, including the system serving the Ersul Subdivision and vicinity, in San Bernardino County near the City of San Bernardino.

GUC's proposed Las Palmas Tariff Area is 1-1/2 miles southeast of the Ersul Subdivision. It consists of some 35 acres of land in an unincorporated portion of San Bernardino County between Redlands and Loma Linda. About one-fourth of the proposed service area is Tract No. 3415, subdivided into 35 lots. There are apparently no plans for development of the rest of the area in the near future.

The proposed service area is adjacent to the service area of three other water purveyors. The City of Redlands serves an area to the east, Peterson Water Co. serves an area to the southeast, and County Service District No. 2 serves an area to the south. The three water purveyors were served with copies of GUC's application and amendment thereto but none appeared at the hearing.

History

In 1950, K. C. O'Bryan, M. E. O'Bryan, and Mary Kuliffay, deeded approximately eight acres of land to Redlands Development Company, Inc., of which K. C. O'Bryan was a director. This area was then subdivided as Tract No. 3415. Thirty-five homes were constructed and all of these were sold in 1951.

The water distribution system and services within Tract No. 3415 were paid for by Redlands Development Company, Inc. Until 1951, the well and deep well turbine pump now supplying water to the tract were used only for irrigation. During 1951, K. C. O'Bryan

installed a storage tank, a booster pump, a pressure tank, and the transmission mains necessary to serve Tract No. 3415. For 13 years, the water system was then used to serve the tract. The record does not disclose exactly who owned or operated the system during that period.

On July 29, 1964, K. C. O'Bryan, M. E. O'Bryan and Curci-Turner Company, a co-partnership, deeded two parcels of land and an easement to GUC. This land is contiguous to Tract No. 3415 and includes the site of the well, pumps, tank and transmission mains. Those mains and the water distribution system in Tract No. 3415 allegedly were transferred from this group to GUC by way of a quit-claim deed. Copies of the deeds to the land and easements were furnished by GUC as late-filed Exhibit 4, but the record does not disclose how, nor if, title to the water system paid for by Redlands Development Company, Inc. had been transferred to the O'Bryans and Curci-Turner Company, nor does it show that GUC now has title to the water system.

GUC issued an interest-free demand note for \$19,286 to the O'Bryans and Curci-Turner Company as payment for the land and for relinquishing whatever claim they might have had to title to the water system. GUC's parent corporation, Golconda International Corporation (GIC) then acquired the note for a token sum which GUC's president, who is also president of GIC, declined to disclose. GUC now proposes to issue 1,900 shares of its common stock to GIC, at \$10 per share, to redeem the note.

GUC has operated the system since August 1, 1964 without authorization of this Commission.

Water Supply and Requirements

In Exhibit 2, the Commission staff states that the source of supply for the Las Palmas system is a single well, that the pumping

water level is near the top of the well pump bowls, that since 1951 the water level in the well has dropped an average of approximately 3-1/2 feet per year, that a pump failure could leave the system without water, and that the well pump bowls should be lowered at least 50 feet. The staff also concludes that the storage tank into which the well water is pumped would provide a supply of only about 45 minutes in the event the well pump failed during a peak demand period and that the booster which pumps the water from the tank into the system does not have an adequate capacity to supply water to the present customers during peak demand periods at the pressure prescribed by General Order No. 103.

Franchise and Permit

GUC alleges that a franchise is required by the County of San Bernardino and that a franchise ordinance is being prepared. GUC's president could not state the present status of his request for a franchise.

GUC has not obtained a public water supply permit for the Las Palmas system from health authorities.

Rates

None of the customers in Tract No. 3415 who testified were charged for water service prior to August 1, 1964. When GUC took over operation of the system, it commenced charging a flat rate of \$4.00 per month, the rate then applicable to GUC's nearby Ersul Tariff Area. The application of that rate to the Las Palmas area had not been authorized by this Commission.

Effective May 1, 1965, GUC increased the flat rate to \$4.20 per month, the increase which had been requested by GUC for its Ersul Tariff Area but which had been denied by this Commission. The increase in the Las Palmas area was not requested of nor authorized by this Commission.

GUC now requests a flat rate of \$6.00 per month and a meter rate with a minimum charge of \$5.00 per month for a 3/4-inch meter. At the time of the hearing, no metered service was being provided in the Las Palmas area.

The Commission staff suggests in Exhibit 2 that whatever rates are determined to be reasonable for GUC's Ersul Tariff Area should also be reasonable for the Las Palmas area because the systems are similar and in the same general area.

Financing Improvements

GUC's practices in embarking on speculative and uneconomic water utility operations in various areas of Southern California without prior Commission authorization have placed GUC in a precarious financial situation, as disclosed by the record in Case No. 8166. Although GUC's president testified that there is no question about GUC's ability to finance the necessary improvements to the Las Palmas system if it receives sufficient revenue to cover operating expenses plus a small return, he presented no specific financing proposals for such improvements.

As an indication of GUC's financial ability, we also take official notice of our various recent decisions involving other tariff areas of GUC, which show that GUC has failed to pay for certain improvements, resulting in a mechanic's lien,¹ has had funds in its bank account garnisheed,² has had its truck and other equipment repossessed by creditors,³ and has defaulted on a note, resulting in an impending trustee's sale and potential transfer of GUC's Ersul water system to the former operators thereof.⁴

Findings and Conclusions

We find that:

1. GUC has not demonstrated that it has acquired or can acquire the Las Palmas water system nor that it can finance necessary improvements to that system.

1 Decision No. 70113, dated December 21, 1965, in Application No. 47364.

2 Decision No. 70195, dated January 11, 1966, in Case No. 8285.

3 Decision No. 70274, dated January 25, 1966, in Case No. 8303.

4 Decision No. 70295, dated February 1, 1966, in Application No. 47908.

2. The Las Palmas water system has been dedicated to public use, either by GUC or the former operators of the system.

3. Additional evidence relative to possible dedication of facilities and utility status of the former operators of the Las Palmas system is necessary for final disposition of Application No. 47700.

4. It is reasonable for GUC to apply in the Las Palmas Tariff Area the flat rates now applicable to its nearby Ersul Tariff Area.

We conclude that GUC's request for a certificate and for authority to issue stock should be denied but that the proceeding should be reopened and GUC should be required to continue serving the present customers in the Las Palmas area until further order of the Commission.

O R D E R

IT IS ORDERED that:

1. Golconda Utilities Company (GUC) is denied the certificate of public convenience and necessity and the authority to issue stock requested in Application No. 47700.

2. Until further order of this Commission, GUC shall continue to provide water service to the present customers served by the Las Palmas system but shall not extend service from that system to any additional customers.

3. Submission of Application No. 47700 is set aside and further hearing shall be held therein, to be consolidated with an investigation on the Commission's own motion into the possible public utility status of the former operators of the Las Palmas system.

4. Within ten days after the effective date of this order, GUC shall file the schedule of rates set forth in Appendix A to this order, and tariff service area maps clearly indicating the boundaries of the area now served by the Las Palmas system. Such filing shall comply with General Order No. 96-A. The effective date of the tariff sheets shall be the date of filing.

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

Dated at San Francisco, California, this 22nd day of MARCH, 1966.

Frederick P. Holbeff
President
Ed N. Mitchell
George J. Grover
Augustan
William L. Darnell
Commissioners

APPENDIX A

Schedule No. LP-2L

Las Palmas Tariff Area

LIMITED FLAT RATE SERVICE

APPLICATION

Applicable to all flat rate water service.

TERRITORY

Tract No. 3415 and vicinity, west of Redlands, San Bernardino County.

RATE

	<u>Per Month</u>
For each service connection	\$ 3.05