

ORIGINAL

Decision No. 72293

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of Antelope Valley Water Co. and Fred W. Austin and Joel W. Hurd, as executors of the Estate of Clarence A. Austin, deceased, for an Order (a) authorizing the dissolution of Lake Hughes Water Department (a privately owned and operating de facto water utility) and the transfer of its assets to Antelope Valley Water Co., (b) granting a certificate of public convenience and necessity to Antelope Valley Water Co., and (c) establishing rates for water service.

Application No. 48985
(Filed November 28, 1966)

Ralph B. Helm, J. P. Bradley,
James F. McKay, and
Alex Lawrence, for Antelope Valley
Water Co.; and Fred W. Austin, for
Estate of Clarence A. Austin,
applicants.
William V. Krowl, in propria persona,
interested party.
Jerry J. Levander, for the Commission
staff.

O P I N I O N

Fred W. Austin and Joel W. Hurd, as executors of the Estate of Clarence A. Austin, deceased, request authority to transfer the assets of "Lake Hughes Water Department" to Antelope Valley Water Co. (Antelope). Antelope joins in this request. The executors further request an order authorizing the dissolution of "Lake Hughes Water Department" and Antelope seeks a certificate of public convenience and necessity to render public utility water service in the area served by the "Lake Hughes Water Department" and authority to establish rates for water service.

A public hearing was held before Examiner Main at Lake Hughes on January 30, 1967. At the hearing testimony was presented by applicants and by a Commission staff engineer. Provision was made to receive late-filed Exhibits Nos. 1 and 2 on or before February 15, 1967. There were no protests and the matter was submitted at the conclusion of the hearing. As discussed herein, certain documents have been received in place of late-filed Exhibit No. 1. Late-filed Exhibit No. 2 has been received and the matter is ready for decision.

Antelope is a California public utility water corporation engaged in producing, distributing and supplying water in certain areas of the counties of Kern and Los Angeles. All of its outstanding capital stock is presently held by Dominguez Water Corporation, the parent company, which, among other things, provides financing and performs billing and administrative functions for Antelope.

Clarence A. Austin, it appears, was the land developer of the area served by "Lake Hughes Water Department" and the owner and operator of this utility since 1923. After his death on June 19, 1965, the executors of his estate continued to operate the utility which serves about 180 customers in the community around Lake Hughes, a resort area about 30 miles west of Palmdale, in Los Angeles County. The area served consists of approximately 200 acres ranging from 3200 to 3350 feet in elevation. These operations have not been regulated by the Commission.

System Purchase

On July 1, 1966 Antelope purchased and began to operate the water system of the "Lake Hughes Water Department" on a conditional basis. This was done pursuant to the Agreement for Sale of Real and Personal Property, Exhibit B attached to the application, which includes the following provisions:

1. The cash purchase price is \$7,500 for the water system including all leaseholds, easements and rights-of-way belonging to the Austin Estate and three parcels of real property. Evidence of such easements and rights-of-way was called for in the agreement, as "Exhibit 1" attached thereto, but was omitted.

2. Antelope assumes no obligations of "Lake Hughes Water Department."

3. Antelope has the right to use the existing storage tanks for one year only.

4. The sale is subject to approval by the Commission and the Superior Court of Los Angeles County.

One of the executors testified that the "Lake Hughes Water Department" neither holds customers' deposits or advances for construction nor for that matter has any other outstanding obligation or indebtedness. With respect to the use of existing storage tanks, applicants stated that it was the understanding of all parties to the agreement that the one-year limitation applies only to two badly deteriorated redwood-stave storage tanks which Antelope plans to replace. An order confirming the sale of the water system to Antelope, subject to authorization by the Commission, was issued in the matter of the Austin Estate, Probate No. 497-785, Los Angeles County Superior Court; a copy of said order is Exhibit No. 2 herein.

It appears that there are not adequate records of the "Lake Hughes Water Department" from which the original costs of the various assets in the system can be ascertained.

Easements

The area served by the Lake Hughes water system was owned by Clarence A. Austin, and when sales of land were made he reserved rights-of-way and easements for the laying of water pipes. Some of the land is still in the possession of his heirs.

Exhibit No. 1 was reserved for the document or documents relating to easements purportedly attached to the system purchase agreement hereinabove discussed. By letter dated February 8, 1967 Antelope represents that such documents were never prepared and that it would cost in excess of \$1,000 to document all of the rights that had been reserved in connection with land sales by Austin. Such rights are in general easements two feet wide along the lines of the lots in the tracts now being served.

The pertinent easements and rights-of-way belonging to the Austin Estate are to be transferred to Antelope by an executors' deed, a proposed copy of which accompanied the aforesaid letter. This copy and letter are received as Exhibit No. 1. The executors have further agreed to convey to Antelope any easements, over those lands still owned by the Austin Estate, which are necessary to operate, maintain and extend the water system.

The Certificate

The requested service area comprises approximately 800 acres of land in Sections 22, 23, 26 and 27, Township 7 North, Range 15 West, San Bernardino Base and Meridian, as shown on Exhibit C attached to the application. The staff recommended that the certificate be limited to those portions of the requested area at elevations lower than 3,350 feet. Antelope concurs in this recommendation and has no immediate plans to extend outside either the requested or staff-recommended area except as would be permitted under Section 1001 of the Public Utilities Code referring to extensions to contiguous territory.

The present water system operates under a County Health Permit and serves 184 customers. The system includes two wells which produce approximately 210 gallons per minute and two storage facilities consisting of one 75,000-gallon reinforced concrete reservoir and two redwood-stave tanks with a combined capacity of 75,000 gallons. Each well pumps to a storage facility which due to its elevation supplies adequate pressure. Interconnections make the supplies from either source available to the entire system.

The pipelines probably are steel, ranging in size from one to four inches in diameter and in age from new to approximately 40 years. They do not meet the requirements of the Commission's General Order No. 103 as to size, protection or length of pipeline.

As part of its improvement program, Antelope proposes to erect a steel storage tank of 65,000-gallon capacity to replace prior to July 1, 1967 the redwood tanks and to install a 6-inch cement asbestos transmission main from the well on Elizabeth Lake Road to the proposed new tank. Other improvements contemplated within the near future include metering all services and installing equipment to automate and meter the production facilities. The estimated cost of proposed improvements is \$15,000. This program together with pipeline replacements to be made from time to time as required by service conditions will bring the system into closer conformity with General Order No. 103.

Antelope is now operating the water system in Leona Valley serving approximately 200 customers, which is about 10 miles distant from Lake Hughes, and the same personnel is to perform operation and maintenance work for both systems. There are no other purveyors of water service within the vicinity of Lake Hughes.

Rates

Antelope proposes to continue the general metered service rates charged by "Lake Hughes Water Department" until costs, methods of operation and the water use pattern based upon a fully metered system can be established. The following tabulation shows a comparison of Antelope's Lancaster tariff area rates applicable to Leona Valley and rates in use for the Lake Hughes area:

General Metered Service Rates

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Lake</u>
		<u>Lancaster Tariff</u>	<u>Hughes</u>
Quantity Rates:			
First	300 cu.ft. or less	\$ -	\$3.00
First	500 cu.ft. or less	3.00	-
Next	700 cu.ft., per 100 cu.ft.	-	.80
Next	1,000 cu.ft., per 100 cu.ft.	.35	-
Over	1,000 cu.ft., per 100 cu.ft.	-	.55
Next	1,500 cu.ft., per 100 cu.ft.	.30	-
Next	7,000 cu.ft., per 100 cu.ft.	.20	-
Over	10,000 cu.ft., per 100 cu.ft.	.15	-

At present, approximately 140 customers are provided metered service with the remaining customers served at a \$3 monthly flat rate. Antelope proposes to meter all connections without delay; the staff recommends that this be done within 90 days.

The staff further recommends that the rates now in use at Lake Hughes be authorized with some modification; the modifications provide for minimum charges which escalate with meter size and place limitations on flat rate service, as shown in Appendix A to Exhibit 3.

Findings

The Commission finds that:

1. Clarence A. Austin, doing business as Lake Hughes Water Department, during his lifetime operated a public utility water company without first having obtained authority from this Commission so to do. Subsequent to his death his executors continued to so operate.

2. Antelope and its parent company, Dominguez Water Corporation, possess the financial resources and utility experience necessary to acquire, make needed improvements and operate a public utility water system in the Lake Hughes area.

3. Subject to the conditions set forth in the order which follows, the proposed sale and transfer will not be adverse to the public interest.

4. Upon consummation of the proposed transfer, the Estate of Clarence A. Austin will no longer be engaged in public utility water service.

5. Public convenience and necessity require that Antelope furnish public utility water service in the area described in the order hereinafter made.

6. The existing water supply and system facilities considered together with Antelope's proposed improvement program and ability to meet future requirements as they arise will adequately serve such area.

7. The rates and charges set forth in Appendix A attached hereto are reasonable under present conditions. The record, however, discloses that substantially lower rates are in effect for Antelope's Lancaster Tariff Area which includes Leona Valley. The order which follows will require an appropriate report and the metering of all services.

The Commission concludes that the application should be granted as provided in the following order.

The action taken herein does not constitute a finding as to the value or original cost of the rights and properties authorized to be transferred.

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. Applicants are authorized to effect the sale and transfer of the assets of the "Lake Hughes Water Department" substantially in the manner and upon the terms and conditions set forth in the Agreement for Sale of Real and Personal Property, a copy of which is attached to the application as Exhibit B.
2. After the effective date of this order, and not less than five days before the date of actual transfer, Antelope Valley Water Co. shall make the tariff filings authorized in ordering paragraph 7 herein.
3. On or before the date of actual transfer, the executors of the Estate of Clarence A. Austin shall deliver to Antelope Valley Water Co. and Antelope shall receive and preserve all available records, memoranda and papers pertaining to the construction and operation of the properties authorized herein to be transferred.
4. Within five days after the date of actual transfer, applicants jointly shall file in this proceeding a written statement showing the date of transfer. A true copy of the instrument of transfer shall be attached to the statement.

5. Upon compliance with all of the conditions of the preceding ordering paragraphs, the executors of the Estate of Clarence A. Austin shall stand relieved of their public utility obligations in the area served by the transferred system.

6. In the event the transfer authorized in paragraph 1 hereof is consummated, certificate of public convenience and necessity is granted to Antelope Valley Water Co. authorizing it to serve those portions of the southeast quarter of Section 22, the south half of Section 23, the northwest quarter of Section 26, and the northeast quarter of Section 27, Township 7 North, Range 15 West, San Bernardino Base and Meridian, which are at elevations lower than 3,350 feet.

7. Antelope Valley Water Co. is authorized to file, after the effective date of this order, the rates set forth in Appendix A to this order, a revised preliminary statement, and a tariff service area map clearly indicating the boundaries of the certificated area. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the fourth day after the date of filing.

8. If any of the authorities granted herein are exercised, Antelope Valley Water Co. shall:

- a. Within one hundred eighty days after the effective date of this order, file a report setting forth in detail an inventory, a determination of the original cost, estimated if not known, of the properties used and useful in providing water service and a depreciation reserve requirement applicable to such properties. The report shall designate which items are supported by vouchers or other like documentary evidence and which items are estimated, and shall show the basis upon which any such estimates were made.

- b. Prepare and keep current, the Lake Hughes system map required by paragraph I.10.a of General Order No. 103. Within one hundred eighty days after the effective date of this order, two copies of this map shall be filed with the Commission.
- c. On or before October 1, 1968, file in this proceeding a summary of operating revenues, operating expenses, rate base and rate of return on rate base for the twelve-month period ending June 30, 1968 for the Lake Hughes system.
- d. Phase out the unmetered service provided under the schedule in Appendix A to this order by installing the necessary meters within ninety days after the effective date of this order.

The authorizations granted herein shall expire if not exercised within sixty days after the effective date of this order and such effective date shall be the date hereof.

Dated at San Francisco, California, this 11th day of APRIL, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. LH-1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Lake Hughes and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 300 cu.ft. or less	\$ 3.00
Next 700 cu.ft., per 100 cu.ft.80
Over 1,000 cu.ft., per 100 cu.ft.55
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.50
For 1-inch meter	7.00
For 1 1/2-inch meter	10.00

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

Schedule No. 2LR

LIMITED RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

Lake Hughes and vicinity, Los Angeles County.

RATES

	<u>Per Service Connection Per Month</u>
For a single-family residential unit, including premises	\$3.00
a. For each additional single-family residential unit on the same premises and served from the same service connection	3.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. Service under this schedule shall be limited to the premises served at flat rates as of July 1, 1966.
4. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and services provided under Schedule No. 1, General Metered Service.