

ORIGINAL

Decision No. 73629

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. 49628
(Filed August 21, 1967)

O P I N I O N

By this application, Vandenberg Utilities Co., a corporation, seeks authority to extend its public utilities water system in unincorporated territory in Santa Barbara County near Vandenberg Air Force Base north of Lompoc to serve Tract 10531 containing approximately 10 acres, to be subdivided into twelve commercial lots. The tract is contiguous to applicant's present system, and extension thereto could be made under Section 1001 of the California Public Utilities Code except for restriction against further extension without Commission authority imposed by Decision No. 70118 dated December 21, 1965 in Application No. 47804 which restriction was also contained in applicant's prior authorities from this Commission.

Applicant also seeks authority to issue nine shares of its common stock at the stated par value of \$500 per share to the Vandenberg Village Development Company, a corporation (subdivider), in lieu of a main extension agreement, and to pay the subdivider \$389.94 cash.

The applicant alleges that public convenience and necessity require that applicant build, operate and maintain the extended facilities for the purpose of serving water to Tract 10531

in Vandenberg Village; that applicant is the only public utility water company serving the area; and that unless applicant is permitted to extend its service area and construct the facilities, there will be no feasible means of serving water to said tract.

The applicant states it has been advised, both by the subdivider of the tract and the real estate broker designated to sell the lots therein, that time is of the essence in that the State Real Estate Commission will not issue a subdivision report prior to applicant providing the subdivider with written notice that it can and will serve the tract.

The applicant further states that easements for the purpose of serving water in the tract have been or will be deeded to applicant by the subdivider and that, with the exception of said easements, there is no requirement by public authorities for franchises or any other permits authorizing applicant to construct and extend its system in and to said tract.

The estimated cost of the proposed extension is \$4,889.94. Applicant proposes to finance the cost of construction by the issuance of nine shares of applicant's common stock, at a par value of \$500 per share, with an aggregate par value of \$4500, to the subdivider, in lieu of a subdivision main extension contract, and by the payment in cash by applicant in the sum of \$389.94.

The rates proposed to be charged by applicant in the subdivision are the rates applicant is presently charging and which are on file with this Commission.

There are no other water utilities with which applicant is likely to compete.

A report dated November 1, 1967 on the results of an investigation of the application by a Commission staff engineer has been submitted and is received as Exhibit 1. This exhibit has been served on the applicant. The report shows that applicant's distribution system facilities and service meet, or exceed, the requirements of General Order No. 103 and are adequate to serve the present customers as well as the twelve service connections for the requested area.

The report, however, recommends that the applicant be authorized to serve Tract 10531 only if the subdivider will contribute the cost of the proposed extension, and that the request for authority to issue stock be denied.

By ordering paragraph 7 of Decision No. 70118, supra, applicant was ordered to reduce its ratio of advances refundable in cash to below 50 percent of utility plant less depreciation reserve, or 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 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 percent, or (3) terminating such contracts under the provisions of applicant's Rule 15.C.3.

The report states that to comply with this order applicant obtained a letter dated January 13, 1966 from Title Insurance Company addressed to applicant's attorneys which waived payments of cash refunds of advances until the ratio of advances to net utility plant was less than 50 percent.

Exhibit "E" attached to the application is a balance sheet dated June 30, 1967 which has an entry under "Liabilities and Capital" as follows:

(1) Advances for Construction	\$418,925
(2) Payments due on Water Contracts	73,661

These two items total \$492,586, the amount of advances for construction set forth in applicant's annual report as of December 31, 1966.

The amount of \$418,925 is 49.2 percent of utility plant less depreciation as of June 30, 1967, apparently making inapplicable the limitation on expansion set forth in Section A.2 of applicant's filed main extension rule. The amount of \$492,586 is 57.8 percent of net depreciable plant as of that date. Applicant's income statement for the six months ended June 30, 1967, shows that it would not have generated sufficient cash to pay the accrued refunds now due. Net earnings for this six-month period show an operating loss of \$941, after depreciation of \$12,101.

The staff engineer concludes that the proper basis for computing the ratio of advances for construction to net utility plant shows that this ratio was 57.8 percent as of June 30, 1967. He further states that if the cost of the proposed extension were to be treated as an advance, the ratio would become 58.1 percent and that applicant's operations do not generate sufficient cash to meet accrued refunds on its existing contracts.

As of June 30, 1967, applicant's net utility plant was \$851,945 and its total advances for construction were \$492,586, of which \$73,661 were due. Payment of this latter amount has been waived until the ratio of advances to net utility plant is less than 50 percent.

By letter received November 24, 1967, subdivider advises that it would be agreeable to waiving payment of refunds for this extension until such time as the ratio of advances is less than 50 per cent, or in the alternative accept common stock in payment thereof.

The Commission finds that:

1. The showing before the Commission contained in the application and Exhibit 1 is sufficient to enable the Commission to decide this matter ex parte as requested and a public hearing is not necessary.

2. Public convenience and necessity require public utility water service in Tract 10531. Applicant is the only public utility water corporation in the area and is ready, willing and able to provide such service to Tract 10531.

3. Applicant has a sufficient water supply and distribution facilities to serve its existing service area and Tract 10531. The facilities proposed to be installed in said tract and listed in Exhibit "D" on the application comply with the requirements of General Order No. 103 and will provide adequate service to said tract. Applicant should be authorized to extend service in said tract, subject to the conditions of the following order.

4. Applicant's existing rates on file with this Commission are reasonable and applicant should be required to establish such rates in Tract 10531 if it provides service therein.

5. The restriction against further extension of applicant's water system without authority from this Commission as expressed in prior orders should be continued in effect.

6. The estimated reasonable cost of the water system facilities to be installed to service Tract 10531, as specified in Exhibit "D" in the application, is \$4,889.94.

7. Applicant should be required to obtain from subdivider a waiver of payment of cash refunds until such time as the ratio of advances refundable in cash, including refunds due but not paid, to utility plant less depreciation reserve is less than 50 per cent.

8. The request for authority to issue common stock should be denied.

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

The certificate herein 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 Vandenburg Utilities Co. subject to the conditions of this order, authorizing it to construct and operate an extension of its water system to serve Tract 10531, Santa Barbara County, as delineated on the map attached to the application herein as Exhibit "B".

2. After the effective date of this order, applicant is authorized to file revised tariff sheets, including tariff service area maps, to provide for the application of its present tariff schedules to the area certificated herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

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 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.

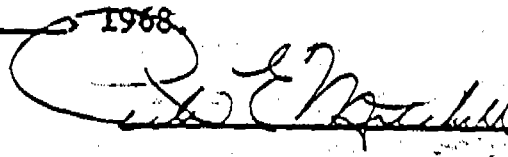
A. 49628 hjh *

6. Applicant shall obtain from subdivider a written waiver of payment of cash refunds on amounts advanced for service to Tract 10531 until such time as the ratio of advances refundable in cash to utility plant less depreciation reserve is less than 50 per cent.


7. The request for authority to issue common stock is denied.

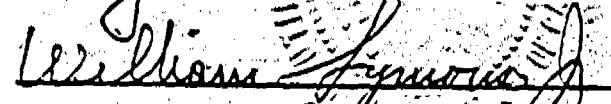
The effective date of this order shall be fixed by supplemental order after compliance with paragraph 6 of this order and the filing with the Commission of a copy of such written waiver.

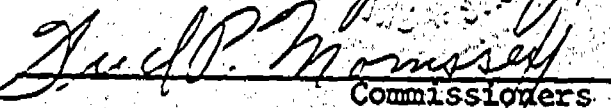
Dated at San Francisco, California, this 16th
day of JANUARY 1968



President






Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.