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ORIGINAL

Decision No. 78325

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the status, operations, service, equipment, facilities, rates, rules, tariff schedules and records of Aztec Water Company, Golconda Utilities Company and William E. Leonard, Trustee of Golconda Utilities Company; and into the possible disconnection of electric service by Southern California Edison Company.

Case No. 9124
(Filed September 22, 1970;
Amended November 4, 1970)

W. Paul Payne, for Aztec Water Company, Inc., and Golconda Utilities Company; William E. Leonard, for himself; and Jerry A. Brody, Attorney at Law, for Southern California Edison Company, respondents.
Alvin Mullis, for people of Keeler; and Robert Fisher, Attorney at Law, for Inyo County, interested parties.
John Fick, Attorney at Law, and Jerry Levander, for the Commission staff.

INTERIM OPINION

Since it appears that the Aztec Water Company (Aztec) and the Golconda Utilities Company (Golconda) may not have been meeting their financial obligations and may thereby be jeopardizing their ability to provide water service to their customers, this investigation on the Commission's own motion was instituted to determine:

1. Whether respondents have failed to furnish and maintain such adequate, efficient, just and reasonable service and facilities as are necessary to promote the safety, health, comfort and convenience of their customers in violation of Public Utilities Code Section 451.

2. Whether William E. Leonard is a public utility within the meaning of Public Utilities Code Section 216(a).

3. Whether respondents should be ordered to cease and desist from any unlawful operations or practices.

4. Whether the rates, charges, rules and tariff schedules of respondents are adequate, just and reasonable.

5. Whether any other order or orders that may be appropriate should be entered in the lawful exercise of the Commission's jurisdiction.

Since it appears that the Southern California Edison Company (Edison) is a creditor of said utilities and proposed to disconnect electric service to said utilities, this order of investigation was amended on November 4, 1970 for the purpose of determining:

1. Whether it would be reasonable to require that Southern California Edison Company pursue other available legal remedies as creditor of Aztec Water Company and Golconda Utilities Company rather than disconnection of their electric service.

2. Whether any other order or orders that may be appropriate should be entered in the lawful exercise of the Commission's jurisdiction.

Hearing in this matter was held before Examiner Coffey on November 23, 1970 in Los Angeles. Staff counsel requested an interim order directing the subject water utilities to pay their current bills, to pay past due bills to Edison or to make arrangements for eventual payment, and requiring Edison to make further efforts to collect amounts due from said utilities before electric service is discontinued. The staff request was submitted on December 21, 1970 upon the receipt of late-filed exhibits and transcript.

Golconda and Aztec have the same management and offices. They both are subsidiaries of Golconda International Corporation (International), a Nevada corporation.

The following tabulation sets forth the number of customers served by Golconda and Aztec as of September 1970.

<u>Name</u>	<u>Number of Customers</u>
<u>Golconda</u>	
Calvert System	3
Hinkley System	3
Keeler System	25
Total Golconda	31
Aztec	41
Total International	72

On March 11, 1970, Mr. William C. Leonard was appointed trustee of the Ersul System of Golconda, then under bankruptcy proceedings in the United States District Court, Central District of California. The other systems were abandoned on November 16, 1970 to the bankrupt. Subsequently, the sale of Ersul System was ordered by the court. This Commission, by Decision No. 78093 issued on December 15, 1970, authorized the transfer of the Ersul System to the Water Department of the City of San Bernardino. The trustee at no time operated any Golconda system other than the Ersul System, the other systems by minute order having been initially abandoned to the bankrupt and operated by bankrupt's president and general manager. Aztec was not involved in the bankruptcy proceedings.

The staff presented reports and testimony on its investigation of the records and operations of the respondent utilities.

The staff financial examiner testified that for the nine months ending September 30, 1970, the Aztec System generated \$4,404 of revenue. The power bills for the same period amounted to \$518,

payments or payables to utilities amounted to \$2,825, and \$1,579 was available for management.

Likewise, for the first nine months of 1970, the Golconda systems under the control of their owner generated \$2,636 revenue, incurred a power bill of \$390 and expenses of \$1,761, leaving \$875 available for management. These amounts were not intended to indicate that the utilities have or have not earned allowances for depreciation and a fair rate of return.

A customer credit supervisor and an attorney employed by Edison testified in detail regarding the payment record of Aztec and Golconda and the various steps undertaken by Edison to collect amounts due. The last payment made by said utilities for power was on October 21, 1969 and the current bills total \$2,032.74.

The president and general manager of Aztec and Golconda testified that he had advised Edison that rates fixed by this Commission did not produce "enough money to go around so somebody has to wait." In addition to delinquent power bills, the witness indicated taxes have not been paid and that \$10,000 in back pay was due him. The witness based his estimate on a court order which allowed him \$450 per month for Golconda operating, managing, customer billing and accounting work. The reasonableness of this allowance was not established by the witness.

The president of Aztec and Golconda stated that he would personally guarantee Golconda's power bills from the time the water systems were returned to the corporation by the court. He would not make a commitment regarding Aztec, maintaining the utility had no funds and payment of bills depends on Commission action on a rate increase application alleged to be pending.

A staff witness stated that a tariff filing which would increase Aztec rates is presently not pending before the Commission.

Apparently Aztec's president has advised the Commission staff informally that he would like a 100 percent increase in rates and a proposed Advice Letter filing has been submitted. No increased rates have been proposed in this proceeding by Aztec, Golconda, or the staff.

This matter was submitted with the understanding that Aztec and Golconda would request increased rates by Advice Letter, the utilities and the staff would confer on the proposed rates and further hearings would be held on the proposed rates if necessary.

We find that:

1. Mr. W. Paul Payne is presently the president and general manager of Golconda and Aztec and as such is in full control of operations of said utilities.

2. Mr. W. Paul Payne, as president and general manager of Golconda has at all times since March 13, 1960, been in possession of the Calvert, Hinkley and Keeler water systems as the debtor in possession and operator and manager.

3. Mr. William E. Leonard has at no time been in possession or operated the Calvert, Hinkley and Keeler water systems.

4. Golconda, on March 23, 1970, owed Edison \$758.98 for electric power service.

5. Aztec, on November 23, 1970, owed Edison \$1,273.76 for electric power service.

6. Electric power is essential to the production of water in the water systems of Aztec and Golconda.

7. Without electric power no revenue can be produced from the water systems of Aztec and Golconda.

8. Aztec and Golconda must take all steps necessary to insure the continuance of electric power service, including payment for electric service before payment for management services.

9. The operation of Aztec and Golconda generates sufficient funds to pay for electric service and make part payment for management service.

We conclude that the request of staff counsel should be granted as hereinafter ordered.

INTERIM ORDER

IT IS ORDERED that:

1. Aztec Water Company and Golconda Utilities Company shall pay all current electric service bills before any payments are made to Mr. W. Paul Payne or to any affiliates or owners of said utilities.

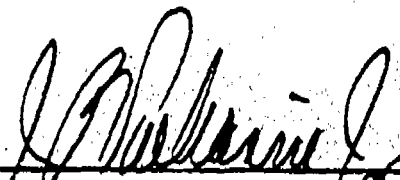
2. Aztec Water Company and Golconda Utilities Company shall pay all past due bills or make arrangements with Southern California Edison Company for their eventual payment before any payments are made to Mr. W. Paul Payne or to any affiliates or owners of Aztec or Golconda.

3. Aztec Water Company and Golconda Water Company shall promptly apply or file for such increased water rates as they wish the Commission to consider.


4. Southern California Edison Company shall take all reasonable steps as may be necessary to collect payment for electric service to Aztec Water Company and Golconda Water Company. Edison shall not discontinue service to said water utilities without further order of this Commission.

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

Dated at San Francisco, California, this 17th day of FEBRUARY, 1971.



Chairman



Vernon L. Sturges

Commissioners

Commissioner David W. Holmes

Present but not participating.

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