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Decision No. 84223

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application
of R. C. Soultz and Ethel V. Soultz,
doing business as Soultz Pump Company
Water System No. 2, and Walter P.
Gordon and Dorothy Gordon, doing
business as Park Avenue Water Company,
for an Order Authorizing sale and
transfer by the former to the latter
of a public utility water system.

Application No. 54998
(Filed June 25, 1974)

Robert Webb Associates by Reginald H. Knaggs,
for Walter P. Gordon and Dorothy M. Gordon,
and R. C. Soultz, for himself; applicants.
Eugene M. Lill, for the Commission staff.

O P I N I O N

This is a joint application by R. C. Soultz and Ethel V. Soultz (Sellers), doing business as Soultz Pump Company Water System No. 2 (Soultz No. 2), and Walter P. Gordon and Dorothy M. Gordon, doing business as Park Avenue Water Company (Park Ave.), for the sale and purchase of Soultz No. 2, and for authority to construct a pipeline connecting Soultz No. 2 and Park. Ave.

A hearing on the matter was held in Tulare before Examiner Bernard A. Peeters on December 17, 1974 and submitted on that date subject to the filing of a late-filed exhibit.

Discussion

The issues in this application involve the unauthorized transfers of public utility properties and the operation of a water system for compensation without proper authority from the Commission.

Background

Sellers were the developers of Tract No. 225, which is located approximately one-half mile east of the city of Tulare. They installed a water system in the tract and were granted a certificate of public convenience and necessity by Decision No. 51792 dated August 9, 1955 in Application No. 36839. They also drilled a well in Tract No. 65, adjacent to Tract No. 225. With respect to Tract No. 65, William L. Gordon, the contractor who constructed the tracts, established a mutual water company. At some later date, the water system in Tract No. 65 (Park Ave.) was operated as a private company. On November 1, 1957 the well site in Tract No. 225 was transferred to William L. and Mary Beatrice Gordon. According to Sellers, there was a provision in the transfer agreement that proper authorization would be obtained for the transfer of the certificate and water system.

On November 26, 1965 Sellers relinquished equity ownership of the utility to William L. Gordon. About this time a request seeking authorization of this transfer was prepared, but it was not signed by William L. Gordon because he was terminally ill. On August 26, 1964 the well sites in Tracts Nos. 225 and 65 were transferred by joint tenancy grant deeds from William L. and Mary Beatrice Gordon to Walter P. and Dorothy M. Gordon (Purchasers).

Purchasers have been operating Soultis No. 2 and Park Ave. for several years. No authority was sought, or granted, for the operation of Park Ave. as a public utility. There was testimony that Purchasers assessed the tariff rates of Soultis No. 2 to the customers of Park Ave.

Both Sellers and Purchasers are desirous of straightening out the tangled state of affairs by clearing up the ownership record, relieving Sellers of their public utility obligations, and combining both operations into one.

Present Operations

Purchasers employ the services of Soult's Pump Company in Tulare to provide maintenance and physical operation of the two water systems. An office is maintained at 2873 West Inyo Street, Tulare, telephone number (209) 686-8761.

Purchasers reside in Apple Valley. The financial statements of Purchasers, attached to the application, show that they have a net worth of \$128,042 and a current ratio of assets to liabilities of 4 to 1. The separate comparative income statements (Exhibit 3) for both operations show that from 1971 through 1973, each operation suffered an increasing operating loss. At the end of 1973 Soult's No. 2 had incurred a loss of \$211.13 and Park Ave. a loss of \$215.65.

Description of Service

Water supply for Soult's No. 2 (Tract No. 225) is obtained from a well 249 feet deep. The well is equipped with a 15-horsepower electric motor direct connected to a deep well turbine rated at 240 gpm. Water is delivered to a 2,500-gallon hydropneumatic tank. This pressurizes 1,840 feet of four-inch AC pipe main. Water supply is treated by a hypochlorinator installed in the pump yard. Service is provided to 34 customers and five fire hydrants.

Water supply to Park Ave. (Tract No. 65) is obtained from a well 230 feet deep. The well is equipped with a 10-horsepower electric motor direct connected to a deep well turbine pump rated at 200 gpm. Water is delivered to a 1,000-gallon pressurized tank. This pressurizes 2,180 feet of four-inch mains. Service is provided to 30 customers and five fire hydrants.

The present facilities of each of the two systems, except for proposed fire flow requirements,^{1/} are adequate to serve existing customers. The general condition of both systems is good and meets current General Order No. 103 requirements.

^{1/} The Commission has under investigation a proposal to determine the feasibility of amending or revising General Order No. 103 in Case No. 9263 to include provisions for fire protection services.

Rates

The rates which Soultis No. 2 has filed with the Commission are also charged by Park Ave. Park Ave. has no rates on file with the Commission. The rates were filed May 29, 1956 and provide for both metered and residential flat rate service. There are no metered services installed.

Interconnection

Interconnection of the two systems would be advantageous from the standpoint of increasing the reliability of both systems and meeting the proposed fire flow requirements of General Order No. 103. There are alternatives to the proposed interconnection, however. One would be to increase the storage capacity in each system. Another would be to procure standby service from the city of Tulare. The city of Tulare provides water service in the same general area, serving all except those served by the two systems under consideration.

Applicants produced no evidence with respect to the cost of interconnection of the two systems. The staff did provide estimates of the cost of interconnection, and yearly increases in operational expenses resulting therefrom. It also provided the same estimates for the two alternatives. These are summarized below:

	<u>Inter- connection</u>	<u>Storage Facilities</u>	<u>Standby Service</u>
Investment cost	\$16,000	\$18,600	\$3,200
Increase in annual operating expenses	554	914	370

Since the investment costs and operational expenses are the least for connections with the city of Tulare, we will order the utility to investigate the possibility of procuring standby service from Tulare and submit a cost and expense study, including the cost of purchased water, before authorizing the interconnection.

Findings

1. Soultis No. 2 is a public utility pursuant to authority granted in Decision No. 51792 dated August 9, 1955 in Application No. 36839.

2. The utility described in Finding 1 was transferred to William L. and Mary Beatrice Gordon without prior authorization from the Commission as required by Section 851 of the Public Utilities Code.

3. A joint tenancy grant deed, dated November 1, 1957, conveyed title to the well site in Tract No. 225 (Souls No. 2) from R. C. and Ethel V. Souls to William L. and Mary Beatrice Gordon.

4. William L. Gordon operated a water system in Tract No. 65 (Park Ave.) for a time as a mutual water company and later as a private company.

5. William L. Gordon transferred Souls No. 2 and Park Ave. to his brother Walter P. Gordon by joint tenancy grant deeds, dated August 26, 1964, covering the well sites in Souls No. 2 and Park Ave.

6. On November 26, 1965, R. C. and Ethel V. Souls, owners of record of the utility in Finding 1, relinquished their equity ownership of the utility to William L. Gordon.

7. Purchasers have been operating both systems as public utilities.

8. Sellers and Purchasers wish to clear the records so that the obligations of utility operations follow the actual situation, i.e., since the Purchasers have been in control of the water systems, the record should clearly reflect that they also have the ownership and obligations of a public utility.

9. Under the circumstances, it would not be in the public interest to void the unauthorized transfers and operations, in accordance with Section 851 of the Public Utilities Code. Pursuant to the authority contained in Section 853 we will exempt the transactions.

10. The transfer of Souls No. 2 to Purchasers will not be adverse to the public interest.

11. Purchasers have been operating Park Ave. in Tract No. 65 as a public utility without prior authorization from the Commission.

12. Purchasers should be authorized to acquire the utility in Finding 1, have Park Ave. declared a public utility, and combine both operations under the name of Park Avenue Water Company as one utility.

13. The estimated costs of construction, and the estimated increase in annual operating expenses for the interconnection sought, are excessive in view of the alternatives available and should not be authorized.

14. Purchasers should explore the alternative methods to the interconnection and implement the least costly method available.

15. The water systems have been in place for over 15 years.

Conclusions

1. The transfer of the public utility known as Soult's No. 2 is not adverse to the public interest.

2. Park Ave. is a public utility. Its operations should be combined with Soult's No. 2 and operated as a single utility under the ownership of Walter P. and Dorothy M. Gordon to be known as Park Avenue Water Company.

O R D E R

IT IS ORDERED that:

1. On or before June 10, 1975, R. C. Soult's and Ethel V. Soult's may sell and transfer the water system referred to in the application to Walter P. Gordon and Dorothy M. Gordon.

2. As a condition of this grant of authority, Purchasers shall assume the public utility obligations of Sellers within the area served by the water system being transferred and shall assume liability for refunds of all existing customer deposits and advances, if any, pertaining to the water being transferred. Purchasers shall send notice of the assumption of liability for refunds to all customers affected.

3. Within ten days after the completion of the transfer Purchasers shall notify the Commission, in writing, of the date of completion and of the assumption of the obligations set forth in paragraph 2 of this order.

4. On or before the date of actual transfer, Sellers shall deliver to Purchasers, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the water system authorized to be transferred.

5. The operation of a water system by Walter P. and Dorothy M. Gordon known as Park Avenue Water Company in Tract No. 65 is declared to be a public utility.

6. Purchasers shall refile the tariffs of the Sellers now on file with this Commission in accordance with the procedures prescribed by General Order No. 96-A. Purchasers shall file their tariffs under the name of Park Avenue Water Company which shall include the Tract No. 65 and the Soultis No. 2 systems. No increase in rates shall be made unless authorized by this Commission.

7. Authorization to interconnect the two systems (Soultis No. 2 and Park Ave.) is denied without prejudice.

8. Within ninety days after the effective date of this order, Purchasers shall file with the Commission a report on the feasibility of obtaining standby service from the city of Tulare.

9. Upon compliance with all of the terms and conditions of this order, except paragraph 8, Sellers shall be relieved of their

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public utility obligations in connection with the water system transferred.

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

Dated at San Francisco, California, this 25th day of MARCH, 1975.

Vernon L. Stinson
President
William J. ...
...
Leonard Rose
Commissioners