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Clerk, Supreme Court of Appeals
Richmond, Va.

Records Nos. 6237, 6238

In the
Supreme Court of Appeals of Virginia
at Richmond

BOARD OF COUNTY SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA

v. Record No. 6237

ALEXANDRIA WATER COMPANY

FAIRFAX COUNTY WATER AUTHORITY

v. Record No. 6238

ALEXANDRIA WATER COMPANY

FROM THE STATE CORPORATION COMMISSION

RULE 5:12 BRIEFS

§5. Number of Copies. Twenty-five copies of each brief shall be filed with the clerk of this Court and three copies shall be mailed or delivered by counsel to each other counsel as defined in Rule 1:13 on or before the day on which the brief is filed.

§6. Size and Type. Briefs shall be nine inches in length and six inches in width, so as to conform in dimensions to the printed record, and shall be printed in type not less in size, as to height and width, than the type in which the record is printed. The record number of the case and the names and addresses of counsel submitting the brief shall be printed on the front cover.

HOWARD G. TURNER, Clerk.

Court opens at 9:30 a. m.; Adjourns at 1:00 p. m.

IN THE

upreme Court of Appeals of Virginia

AT RICHMOND.

Record No. 6237

VIRGINIA:

In the Supreme Court of Appeals held at the Supreme Court of Appeals Building in the City of Richmond on Friday the 8th day of October, 1965.

BOARD OF COUNTY SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA, Appellant,

against

ALEXANDRIA WATER COMPANY, Appellee.

From the State Corporation Commission

Upon the petition of Board of County Supervisors of Fairfax County an appeal of right is awarded it from an order entered by the State Corporation Commission on the 9th day of July, 1965, in a certain proceeding then therein depending entitled, Application of the Alexandria Water Company for amendments to certificate under Utility Facilities Act; no bond being required.

IN THE

Supreme Court of Appeals of Virginia

AT RICHMOND.

Record No. 6238

VIRGINIA:

In the Supreme Court of Appeals held at the Supreme Court of Appeals Building in the City of Richmond on Friday the 8th day of October, 1965.

FAIRFAX COUNTY WATER AUTHORITY, Appellant,

against

ALEXANDRIA WATER COMPANY, Appellee.

From the State Corporation Commission

Upon the petition of Fairfax County Water Authority an appeal of right is awarded it from an order entered by the State Corporation Commission on the 9th day of July, 1965, in a certain proceeding then therein depending entitled, Application of the Alexandria Water Company for amendments to certificate under Utility Facilities Act; upon the petitioner, or some one for it, entering into bond with sufficient security before the clerk of the said State Corporation Commission in the penalty of five hundred dollars, with condition as the law directs.

RECORD

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page 1]

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Rec'd 5/4//65

HUNTON, WILLIAMS, GAY, POWELL & GIBSON
Electric Building
Richmond, Virginia 23212
Area Code 703
MIlton 3-0141
May 4, 1965

Mr. J. Irving Smith
Assistant Chief Engineer
State Corporation Commission
Blanton Building
Richmond, Virginia

The Alexandria Water Company

Dear Mr. Smith:

On behalf of The Alexandria Water Company, I hand you, for filing, under the Utility Facilities Act, two copies of revised maps no. 3 and 7. These revisions have been made to include a small area at the top of map no. 7 and an area shown on map no. 3 to the West of the Company's present service area.

Will you please consider this letter an application of extension service area and let me know what action is taken by the State Corporation Commission.

Very truly yours,
RICHARD G. JOYNT

68/226
Encl.

cc: Mr. J. J. Barr
Mr. W .H. H. Putnam
Mr. J. V. LaFrankie
Hon. Armistead L. Boothe

BY HAND

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★ ★ ★ ★ ★

AT RICHMOND, MAY 5, 1965
CASE NO. 11235

Application of
THE ALEXANDRIA WATER COMPANY
For Amendments to Certificate under Utility Facilities Act

INSTITUTING SUPPLEMENTAL PROCEEDING
AND SETTING FOR FORMAL HEARING, ETC.

CAME the applicant by letter dated May 4, 1965, signed by Richard G. Joynt, its Counsel, and filed revised maps Nos. 3 and 7, which revised maps show small additional areas in Fairfax County proposed to be included in the certificated territory of the applicant, which additional areas are contiguous to the territory presently certificated to the applicant and embrace areas which are uncertificated at the present time; and requesting appropriate amendments to the certificate in accordance with said revised maps; accordingly,

IT IS ORDERED:

(a) That the aforesaid letter application of May 4, 1965, and the revised maps Nos. 3 and 7 submitted therewith be filed, and a supplemental proceeding under the Utility Facilities Act be instituted, docketed and set for formal hearing in the Courtroom of the Commission, Blanton Building, Richmond, Virginia, at 10:00 A.M., E.D.T., on June 11, 1965;

(b) That the applicant, as notice of said supplemental application and the time and place of hearing thereof, forthwith serve, by certified mail with return receipt, an attested copy of this order on the Commonwealth's Attorney and the Chairman of the Board of Supervisors of Fairfax County, and file evidence of such notice at the hearing;

(c) That an attested copy of this order be sent to the applicant, in care of Richard G. Joynt, Counsel, Electric Building, Richmond, Virginia, 23212; and that an attested copy of this order be sent to Counsel for files of Counsel.

* * * * *

page 3]

* * * * *

APPLICATION OF
THE ALEXANDRIA WATER COMPANY
For Amendments to Certificate under
Utility Facilities Act

PRESENT:

COMMISSIONERS
RALPH T. CATTERALL
H. LESTER HOOKER
(Commissioner Hooker presiding)

APPEARANCES:

JOHN W. RIELY
and
E. MILTON FARLEY, III,
Counsel for Applicant
WILLIAM C. BAUKNIGHT,
RICHARD R. G. HOBSON,
and
JOHN F. KAY,
Counsel for Board of County Supervisors of Fairfax County; and Fairfax County Water Authority, Interveners

page 4] RALPH G. LOUK,
Commonwealth's Attorney of Fairfax County, Counsel for Board of County Supervisors of Fairfax County; and Fairfax County Water Authority, Interveners

NORMAN S. ELLIOTT,
Counsel for the Commission

Date of Hearing
June 11, 1965

page 5] Commissioner Hooker: Mr. Riely, you may proceed.

Mr. Riely: May it please the Commission, I considered this to be be a routine application; and I still considered it no more than a routine application until I found these distinguished gentlemen sitting in the front row beside me; but it is a routine application for an addition to the service area of The Alexandria Water Company in Fairfax County under the Utility Facilities Act.

The application is brought by filing maps, as required by the Act, and it is an application for territory for development under the last paragraph of Section 56-265.3 of the Code, which is Section 3 of the Utility Facilities Act.

It is an additional service area adjacent to the present service area of the Company where people have indicated a desire and need for water.

page 6] We will present one witness for the Company, and several witnesses of people who control lines within lines within this additional service area.

I think that's all the opening statement that I find is necessary. I should like to file as Exhibit A the necessary notices.

Commissioner Hooker: Exhibit A is received. Mr. Bauknight, or whoever wants to make an opening statement.

Mr. Bauknight: If it please the Commissioner, I would like to reserve my opening statement.

Commissioner Hooker: All right. Anybody else wish to make an opening statement?

Mr. Elliott: I would like to pass to the Commission at this time a letter received this morning from Carl E. Paschek, Woodfair Road, and Andrew J. Saulnier, in which they request that the application be granted.

Commissioner Hooker: Any objection?

Mr. Bauknight: I would like to see it.

page 7] Note: Letter handed Mr. Bauknight.

Mr. Bauknight: I have no objection.

Commissioner Hooker: Proceed with your evidence.

Mr. Riely: Mr. Putnam, please.

page 8] W. H. H. PUTNAM,

a witness introduced on behalf of Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Riely:

Q. Mr. Putnam, what is your name?

W. H. H. Putnam

A. W. H. H. Putnam.

Q. And what is your residence, Mr. Putnam?

A. Pittsburgh, Pennsylvania.

Q. What is your position with the Applicant?

A. I am President of The Alexandria Water Company.

Q. Mr. Putnam, what is your experience with the water business?

A. I have been in the water business since 1922 in various capacities with Birmingham Waterworks Company, including Vice President and General Manager.

Q. Mr. Putnam, you have testified before this Commission on numerous occasions, have you not?

page 9] A. Yes, I have.

Q. In your capacity as President of The Alexandria Water Company?

A. Yes.

Q. Are you familiar with the service area of The Alexandria Water Company?

A. Yes, I am.

Q. Are you familiar with the facilities of The Alexandria Water Company?

A. Yes.

Q. And the source of supply?

A. Yes.

Q. Mr. Putnam, can you see this map from where you are or would you prefer to come over here? Had you better come over here to read this, and sit by me?

Note: Witness goes to map.

Q. Mr. Putnam, this is a map of a portion of Fairfax County, is it not?

A. Yes.

Q. Right here down at the bottom of the map is the Occoquan facility?

page 10] A. Yes. This is the estuary of the Occoquan.

Q. Now, what does this solid black line show?

A. That is the boundary of that portion of our presently certificated area.

Q. The presently certificated area; and what is this red line on the righthand side of the map?

A. That's the location of the thirty-six inch transmission main that runs from the Occoquan Station pumping facilities

W. H. H. Putnam

up to what is called "King's Park."

Q. Mr. Putnam, King's Park is located here not far from the Town of Burke; is that correct?

A. That is right. It is right near the intersection of Bolling Road and Braddock Road.

Q. Do you also have a thirty inch main located right in this section right here?

A. Yes. That main is thirty, and twenty-four,
page 11] extending on over towards the Springfield area.

Q. And you have a twelve inch main here, have you not?

A. Yes. It projects westward on Braddock Road, and then northward.

Q. Now, Mr. Putnam, what does the dotted black line on this map show?

A. That is the boundary of the area covered by this application, which we have asked to be certificated for development purposes.

Q. In this area enclosed in the dotted black lines, and solid black line, there are a number of tracts that are colored yellow. Are they tracts controlled by people who have inquired as to service from you all in there?

A. Yes, they are.

Q. Let me take them up one by one, if you will. Up here in the northern part of the area, can you identify this tract?

A. That tract is owned and controlled by Richmarr Construction Corporation, of one hundred and ninety-
page 12] four acres, on which it has been indicated it is supposed to build a thousand homes.

Commissioner Hooker: How close is that to your present allocated territory?

A. Well, it actually projects, a little tip of it projects into our present territory.

Commissioner Hooker: In other words, it is adjacent to the present territory?

A. It is adjacent, and a very small portion is within.

Mr. Riely:

Q. I hand you a letter addressed to The Alexandria Water Company, dated November 4, 1964, and ask you to identify that letter. Did you receive this letter?

A. Yes.

Q. In this letter there is a request to be advised of the

availability of water from The Alexandria Water Company for this tract of land controlled by Richmarr Construction Corporation; is that correct?

A. Yes.

page 13] Mr. Riely: May it please the Commission, may this be received as Exhibit No. 1?

Commissioner Hooker: It will be passed to the file.

Mr. Riely:

Q. I hand you another letter from Richmarr Construction Corporation, and ask you if your Company received that letter?

A. Yes.

Commissioner Hooker: Pass it to the file.

Mr. Riely: Even Mr. Bauknight did not object for the first time in his life.

Commissioner Catterall: He knows what it is all about.

Mr. Riely:

Q. Up here in the northwestern portion of the tract is another area colored in yellow. Can you identify that?

A. That is a tract totalling about two hundred and forty-four acres, owned by Crestwood Construction Corporation.

page 14] Q. Have you received an inquiry from that corporation indicating a desire to have water there?

A. Yes, we have.

Q. I hand you a letter from Crestwood Construction Corporation, addressed to Alexandria Water Company, and ask you whether this letter was received in regard to the water service to the tract referred to in the northwestern part of the service area?

A. Yes.

Mr. Riely: May I pass that to the file?

Commissioner Hooker: I was just wondering about all those letters — apparently you have several letters — if we couldn't save a little time by just have him testify about them, and then you could pass them over and let them look at them.

Mr. Riely: May I say that I have a letter and will put it in the file?

Commissioner Hooker: Yes, and they will not object to it.

page 15] Mr. Riely: All right. Thank you, Sir.

Mr. Bauknight: I don't believe I would have any standing to object to something being passed to the file.

Commissioner Hooker: We would pass it to the file whether you objected to it or not.

Mr. Bauknight: That's right.

Mr. Riely:

Q. In the eastern portions of the additional area, sticking out slightly into your present service area, is another tract of land. Can you identify that?

A. That is a tract of approximately two hundred acres, owned or controlled by T. R. Williams.

Q. Have you received an inquiry from him about water service?

A. Yes, I have.

Q. Adjacent to that tract is an area marked twenty-one acres. Will you identify that tract?

page 16] A. That is a tract owned by a Mr. Moreland, adjacent to the Williams tract.

Q. Have you received an inquiry from him about water service?

A. Yes.

Q. In fact, you have had a letter from him about water service, have you not?

A. Yes.

Mr. Riely: I should like that passed to the file, to be examined by all of these gentlemen.

Commissioner Hooker: It will be passed to the file.

Mr. Riely:

Q. Adjacent to the Moreland area is an area covered in blue. Can you identify that tract?

A. That is what is known as the Burke Park Tract.

Q. Is that privately owned property or publicly owned property?

A. It is owned by the Park Authority, I believe;

page 17] and we have had an inquiry from them as to the availability of water.

W. H. H. Putnam

Q. You have received a letter from the Fairfax County Park Authority asking about the availability of water?
A. Yes.

Mr. Riely: I should like to have that passed to the file, to be examined by these gentlemen.
Commissioner Hooker: It will be passed to the file.

Mr. Riely:
Q. Adjacent to the Burke Park property is a tract marked in yellow. Can you identify that tract?
A. That is a hundred and sixty acre tract owned by Paul Brown.
Q. Have you received an inquiry or letter from Paul Brown as to the availability of water?
A. Yes, we have.

Mr. Riely: I would like to pass that letter to the file, to be examined by these gentlemen.
page 18] Commissioner Hooker: It will be passed to the file.

Mr. Riely:
Q. Adjacent to the Paul Brown tract there is another tract. Can you identify that?
A. That is a sixty-eight acre tract owned by John Williams, and we have an inquiry from him, through his attorney.
Q. As to the availability of water for that tract?
A. Yes.
Q. Is this the letter to which you refer?
A. Yes.

Mr. Riely: If it please the Commission, I should like to pass this letter to the file.
Commissioner Hooker: Yes, it may be passed to the file.

Mr. Riely:
Q. Southwest of the Burke Park tract is another tract. Can you identify that tract?
A. That is a two hundred acre tract known as
page 19] English Hills, which is presently under development. We have had inquiries there from owners or prospective owners of individual property. This is being

developed as exclusive five acre tracts — as five acre estates. Inquiries have indicated that they come from owners or prospective owners of the property.

Q. To the west is the western area of the proposed additional service area, and there are two tracts. Can you identify them?

A. Both of those are owned by Pete Hines. One is two hundred and twenty-four acres, and the other is two hundred and fifteen acres.

Q. Have you received inquiry from Mr. Hines?

A. Yes, we have. The two hundred and fifteen acre portion of it is being developed, apparently, in the same fashion as English Hills is, and is known as Holly Park.

Q. And Mr. Hines has inquired of you as to the availability of water?

A. Yes.

page 20] Q. Now, can you generally state how the western line in the northern part of this estuary was developed?

A. It is a line a thousand feet west of and parallel to Route 123, a portion of the way down, and then swings westward along what is known as the Yates Ford Road.

Q. So that this line is controlled by an existing pattern; is that correct?

A. Yes.

Q. And a normal and natural development along the existing pattern?

A. Yes, Sir, that is right.

Q. And the line at the bottom is this straight line?

A. The straight line that follows the telephone line and the power line.

Q. Now, Mr. Putnam, your Company already has pipe lines, as shown on that map, which are in the vicinity of, although not in, the additional service area, does it not?

A. Yes. The thirty-six inch line runs along the

page 21] VEPCO right-of-way as indicated in red, and it is within approximately fifteen hundred feet of the area on the western edge of our presently certificated area points.

Q. Now, the thirty-six inch line starts at the Occoquan Filter Station?

A. Yes.

Q. And what is the source of supply of The Alexandria Water Company?

W. H. H. Putnam

A. The reservoir on the Occoquan Creek.

Q. Your Company has made studies, has it not, Mr. Putnam, as to the adequacy of the Occoquan as a source of supply?

A. Yes, both our engineers and outside engineers have done so.

Q. And you have reviewed those studies, have you not?

A. Yes.

Mr. Bauknight: We object to this, if it please the Commission, as hearsay, as to what the engineering studies show.

page 22] Mr. Riely: This gentleman is the chief executive officer of the Company, and it is not hearsay to him.

Commissioner Hooker: Was the study made under your supervision?

A. Yes, Sir.

Commissioner Catterall: I think the President of a company can tell you how many gallons a minute his water supply is.

Mr. Bauknight: I would like to note an exception as to its being admissible.

Commissioner Hooker: Objection overruled. Go ahead.

Mr. Riely: Thank you.

Q. In view of your familiarity with this subject, Mr. Putnam, is it your opinion that your Company has an adequate supply of water to serve its presently certificated service area, and this additional service area at the present time?

A. Yes.

Mr. Bauknight: If it please the Commission, I have two objections to this question. One, it calls for an

page 23] opinion and this gentleman has not qualified as an expert; and, secondly, even if he does not need to qualify, or had qualified, there are no facts in the evidence upon which he can express an opinion.

Commissioner Catterall: But his opinion is that they now have adequate water; but, of course, if we give them this territory, we will see to it that they do have adequate water.

Mr. Bauknight: I submit that his opinion is not admissible for the two reasons that I have stated.

Commissioner Hooker: The objection is overruled.

Mr. Bauknight: As I understood the Commissioner in an earlier case, it is not necessary before the Commission to note an exception for each point.

Commissioner Catterall: You don't have to except, you don't have to object, you don't even have to be present to take an appeal. I would call your attention to the fact that the rules of evidence do not apply because we are sitting to administer that law.

page 24]

Mr. Riely:

Q. Mr. Putnam, do you recall the question, and will you answer it, please?

A. Yes. In my opinion, we do have an adequate supply to serve our presently certificated area, and this area which we are now seeking.

Mr. Riely: I have no further questions.

Commissioner Hooker: Cross examine.

CROSS EXAMINATION

By Mr. Bauknight:

Q. Mr. Putnam, you have read these various letters, which you have submitted and passed to the file, have you not?

A. Yes.

Q. All right, Sir. Isn't it true that these letters, in the main at least, request information only as to whether or not the Company would be able to serve the area?

A. They are letters that indicate an interest in the service on which we have to act. Of course, we can't give them answers saying "Yes, we will give service" until we get the authority of this Commission.

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Mr. Riely: These letters speak for themselves, if the Commission please. They are in the record.

Commissioner Catterall: And he is asking for an opinion too.

Commissioner Hooker: It is all right. I don't see why you object. He has put them in evidence.

Mr. Riely: That's what I thought.

Commissioner Hooker: They were not admitted in evidence until he put them in.

Mr. Riely: I now move that they all be received in evidence.

Commissioner Catterall: It does not make any difference.

They are in there to be examined.

Mr. Bauknight:

page 26] Q. Mr. Putnam, with reference to these tracts, and using the letters, if you want to or anything else you want to use, how many of these tracts can you actually say will obtain water from your Company, if this application is granted?

A. Based on our past experience over the years, I would say that all of them will; maybe not this year or the next, but eventually.

Q. You feel that all of them will obtain service from your Company?

A. Yes, if we are granted this certificate to serve.

Q. Now, if the development in there takes place in such a manner that all of the tracts don't develop at once, is it not entirely possible that some of these people could obtain water service from the Fairfax County Water Authority, even though this area is certificated to you?

Mr. Riely: If it please the Commission, that question calls for such a conjectural answer, that I object to it.

page 27] Commissioner Catterall: That is a question of law. I was going to ask Mr. Bauknight why he objects to the certification of this area, in view of the fact that his client can go right over it any time it wants to.

Mr. Riely: Well, I wanted to object to Mr. Bauknight being here at all, but I decided that I would be a nice fellow.

Commissioner Catterall: What is the answer, Mr. Bauknight?

Mr. Bauknight: I would be glad to answer —

Commissioner Catterall: You could run your pipe right over them.

Mr. Bauknight: I would be glad to answer it now, Your Honor, that I have a number of witnesses, and in our case we will develop that very completely.

Commissioner Catterall: I believe your charter says you can't parallel existing lines.

Mr. Bauknight: Duplicate them.

Commissioner Catterall: But, in spite of your charter, you

do parallel existing lines.

page 28] Mr. Bauknight: We don't duplicate any existing lines.

Commissioner Catterall: You parallel, but don't duplicate.

Mr. Bauknight: No, we don't parallel. But this, again, you are asking me factual questions which I can answer, but I had rather have witnesses explain them.

Commissioner Catterall: Oh, no. I am asking you about a legal question.

Mr. Bauknight: A legal question? I will be glad to answer this, that a certification to the area does not prohibit the Authority from serving the same area provided such service does not duplicate the existing service.

Commissioner Catterall: You have a race between them?

A. We could very possibly have a race between them.

page 29] Commissioner Catterall: If these people get a certificate, those developments would get their water quicker, either from the certificated water company or *from the certificated water company or* from your water company.

Mr. Riely: This is exactly a handicap that will put us in an even place.

Mr. Bauknight: This is exactly the point that I was trying to make through Mr. Putnam; and I appreciate the opportunity to make it myself.

Commissioner Catterall: You have made the point.

Mr. Bauknight: I have no further questions.

Mr. Riely: You may stand aside, Mr. Putnam.

Witness stood aside.

page 30] Mr. Riely: If Your Honors please, I think the Supreme Court said the Authority was merely an agency in the County.

Mr. Bauknight: I don't remember the word "merely" in that opinion at all.

Mr. Riely: Mr. Steinberg, please.

BERNARD STEINBERG,

a witness introduced on behalf of Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Riely:

Q. Tell the Commission your name, please.

Bernard Steinberg

A. Bernard Steinberg.

Q. What is your occupation, Mr. Steinberg?

A. I am a builder and President of the Crestwood Construction Corporation.

Q. Now, we passed to the file a letter, Mr. Steinberg, from the Crestwood Construction Corporation, dated April 14, 1965, of which I now hand you a copy. Did you sign that letter?

A. I did.

page 31] Q. Does your corporation own two hundred and forty-three acres of land, located on Braddock Road and Route 653?

A. We do.

Q. Now, that was the tract of land up in the northwestern corner of that additional service area, about which Mr. Putnam testified?

A. That is correct.

Q. And you have inquired of The Alexandria Water Company as to the availability of water in this area?

A. We have.

Q. And you would like to see the area certificated to The Alexandria Water Company so they can supply water for your tract; is that right?

A. That is correct.

Q. Mr. Steinberg, you have dealt with The Alexandria Water Company before at other places, haven't you?

A. Yes, I have, over a period of years.

page 32] Q. You have also dealt with Fairfax County Water Authority?

A. Yes, I have.

Q. If you can obtain water from The Alexandria Water Company rather than the Authority, would you rather do so?

A. Yes, sir.

Q. Why?

A. From an economic point of view. Our water installation cost would be less if we were to use Alexandria Water Company's water rather than the Fairfax County Authority's water.

Q. So it costs you less money to buy from the Company rather than from the Authority?

A. Yes.

Mr. Riely: I have no further questions.

Bernard Steinberg

CROSS EXAMINATION

By Mr. Bauknight:

Q. Mr. Steinberg, did I understand you to say that the only reason you prefer to obtain water from the Company for your development, instead of from the Authority, is an economic one?

A. That's right, dollars and cents.

page 33] Q. Dollars and cents to you?

A. Yes.

Q. In other words, you make more profit if you obtain water from the Company than if you obtain it from the Authority?

A. No.

Q. You don't make more profit?

A. No.

Q. Then what is the economics to you?

A. Our cost of construction for the ultimate home that we sell to the home buyer will be less. If you want dollars and cents, approximately, two hundred and fifty dollars a house less if we use The Alexandria Water Company's facilities.

Q. You make the same profit either way?

A. No.

Q. Which way do you personally make the most profit? Getting water from which agency would result in the most profit to you?

A. We don't work in that regard. It is the

page 34] purchaser, the eventual homeowner, who will profit by that because our sales price of the houses would necessarily be reduced by two hundred and fifty dollars that we save.

Commissioner Catterall: The more the house sells for, the more money you will make? That is what Mr. Bauknight wants you to admit.

A. Not necessarily, Sir.

Mr. Bauknight:

Q. You have two elements in your economics, as I understand it. You have costs, and you have sales price or income. Is that not correct?

A. That's correct.

Q. Now, do you include in your costs the cost of all of

your improvements which you put into the tract of land?

A. Correct.

Q. Now, if you deal with the Authority or if you deal with the Company, the cost of putting the improvements in is approximately the same; the cost of the mains and

page 35] installation of them, there is no difference?

A. Not a thing, but the refund is the difference.

Q. Right. Now, when do you get this refund, if you deal with the Company?

A. Immediately after the house is sold, and occupied.

Q. Do you include the cost of your water main installation in the cost of the house even though you do get reimbursed, as far as answering my question as to whether you make more profit or not?

A. We take the net cost of our water main installation to arrive at our ultimate development cost of the house.

Q. Then, unless you lower the price of the house, you make more profit because you have a lower net cost?

A. Yes.

Q. Then, you are saying you do lower the price of the house, below what the market would bring?

page 36] A. I can't see how we can say "below what the market would bring." We establish a sales price for the house, based on our costs of the house, and most builders do the same thing. Builders, as such, do not worry about the sales price or price of their houses or what the market will bring. It is based on a percentage of cost and development cost.

Q. Plus —

A. Plus a normal profit.

Q. Now, regardless of where you obtain water for your development, the cost of the house itself is the same?

A. That's correct.

Q. The cost of the streets is the same?

A. That's right.

Q. The cost of the curb and gutter, and sidewalk, if required, is the same?

A. That's right.

Q. The cost of storm drainage is the same?

A. Yes.

Q. The cost of everything else, except

page 37] water service, is the same?

A. Right.

Bernard Steinberg

Q. Do you get any reimbursement for any of these other features that you have to put in your development, that is, streets, storm drainage, sanitary sewers?

A. No.

Q. You put those in at your expense?

A. That is right.

Q. And you turn them over to the County or to the State, depending on which they are?

A. That is right.

Q. And that goes into the cost of the house?

A. Right.

Q. Just to make sure I understand now, Mr. Steinberg, if you obtain water for your development from the Water Company, rather than from the Water Authority, in this particular development, the cost which you include in setting your price of your house is two hundred and fifty dollars less, approximately?

page 38] A. Yes.

Q. And the price which you sell the house for is two hundred and fifty dollars less?

A. Right.

Q. Now, you don't know where the Company gets the money which it reimburses to you, do you?

A. I have no interest in it.

Q. As long as you get it?

A. That is right.

Q. Let me ask you this. Do you have any commitment with the Company that, even if this extension is granted, this new area is granted, you will obtain water from the Company for this development?

A. No.

Q. No commitment?

A. No commitment.

Q. So up until the time that you do sign a contract with the Company, if the Authority would come to you with a better proposition, you would feel free to take it?

page 39] A. Yes.

Q. And would your sole consideration there be this question of cost?

A. Yes.

Q. Let me ask you one more question. Did you approach the Company or did the Company approach you with regard to service to this tract?

A. Oh, I approached the Company when I found out that

there was some feeling of extending their franchise into this area.

Q. Prior to that, had you negotiated with the Water Authority?

A. You mean talking to them?

Q. Yes. Had you talked to them?

A. Yes, that is right.

Q. In this development you intend to build, and sell these houses, do you?

A. That is correct.

Q. So the ultimate cost for water service would be between the supplier and the people who buy the houses?

A. Yes.

page 40] Q. Your letter mentioned the development of this tract hinged on zoning and on sewers. Did you at one time intend to put in a private treatment plant here?

A. Yes; but two weeks ago we obtained approval from the Zoning Board of Appeals to install a ponding basin which is a temporary facility to service this area pending the County bringing the main trunk line sewer through the area in 1968.

Mr. Bauknight: If the Commission will indulge me for a moment.

Q. Mr. Steinberg, is this property zoned for the development you speak of?

A. A portion of it is, and another portion we have to get rezoned, because it is a nonconforming subdivision, and we are scheduled to appear before the Planning Commission on June 24th, and hope to be before the Board about three or four weeks after that, because this development is in there.

Mr. Bauknight: I have nothing further.

REDIRECT EXAMINATION

page 41] By Mr. Riely:

Q. Let me see if I understand the points of Mr. Bauknight's examination clearly. It will cost, as I understand your testimony, the ultimate purchaser of one of your houses two hundred and fifty dollars less approximately if you get water from The Alexandria Water Company rather than if

you get it from the Fairfax County Water Authority; is that right?

A. That's right.

Mr. Riely: Thank you. I have no further questions.

Commissioner Catterall: And your profit will be five dollars less because your profit is a percentage of the whole?

A. Yes, Sir.

Commissioner Catterall: So you are cutting your own throat.

Commissioner Hooker: Stand aside.

Witness Stood Aside.

page 42] LAWRENCE KIRSTEIN,

a witness introduced on behalf of Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Riely:

Q. Mr. Kirstein, will you tell the Commission your name?

A. Lawrence Kirstein.

Q. That's K-i-r-s-t-e-i-n, is it not?

A. Yes.

Q. And where do you reside, Mr. Kirstein?

A. In Bethesda, Maryland.

Q. What is your occupation?

A. I am a builder.

Q. What is the name of the concern with which you are connected?

A. Richmarr Construction Corporation.

Mr. Riely: I pass to the file two letters addressed to The Alexandria Water Company on the letterhead of Richmarr Construction Corporation, one dated November 4, 1964, and one dated April 26, 1965, copies of which I now show you.

page 43]

Q. You signed those letters, did you not, Mr. Kirstein?

A. Yes.

Q. Richmarr Construction Corporation controls, I believe, the area in the map on the board marked in yellow in the upper northeast corner; is that correct?

Lawrence Kirstein

A. That's correct.

Q. Now, you made these inquiries of The Alexandria Water Company as to the availability of water in your area; is that right?

A. Yes.

Q. Do you plan to develop that area?

A. Yes, we do.

Q. What sort of development do you have in mind?

A. Approximately one thousand single family homes.

Q. One thousand single family homes. When do you propose to start?

A. I would say either in late 1966 or early

page 44] 1967.

Q. Late 1966 or early 1967. You are making plans for it now?

A. Yes, we are.

Q. And you would like to have water service available to that area from The Alexandria Water Company?

A. That's right.

Mr. Riely: I have no further questions.

CROSS EXAMINATION

By Mr. Bauknight:

Q. Mr. Kirstein, let me ask you this question. Is your sole motivation for saying now that you want service from the Company instead of the Fairfax County Water Authority one of economic consideration to you?

A. Yes, it is.

Q. And, if the Authority were to offer you the same reimbursement proposition that the Company usually does, would you have any reason then not to deal with the Authority instead of the Company?

page 45] Mr. Riely: I object to Mr. Bauknight's use of the words "usually does." These are made in accordance with the terms and conditions filed with the State Corporation Commission, and the Company by law always has to make this same proposition.

Mr. Bauknight: I will accept the correction.

Commissioner Catterall: You can ask him if he wouldn't rather have the source of water from a source where the

price of the water is regulated by the Corporation Commission.

Mr. Bauknight: Well, I don't want to ask him that. You can ask him that. I don't think it would make any difference to him. He is not going to live in these houses, I don't guess.

Q. Are you going to live in any of these houses?

A. No.

Q. You are going to build them yourself?

page 46] A. I am going to build them myself.

Commissioner Catterall: You don't care what happens to the people who buy them?

A. Well, to a certain extent.

Mr. Bauknight:

Q. Mr. *Kirsten,* then, let me put in this way. Have you computed what the savings to you per house would be in obtaining water under the Company's scheduled rates and charges as compared to the Authority's schedule of rates and charges?

A. To the best of my knowledge, it would be the same, two hundred and fifty dollars.

Q. About the same as Steinberg testified?

A. Yes.

Q. If you obtain water for your development from the Company, would you sell the house for the same price that you would otherwise or would you sell it for two hundred and fifty dollars less?

A. I would be selling it for less.

Q. Now, you also, I assume, don't know where the Company gets the money that it's going to pay you

page 47] the two hundred and fifty dollars back, do you, Sir?

A. No.

Q. But you are saying that your profit will remain the same, regardless of where you get the water?

A. Yes, our profit will be the same, but the sales price of the house would be different.

Q. Now, you have developed other subdivisions in Fairfax County, have you not?

A. Yes, I have.

Q. And isn't it so that, in order to develop a subdivision, you have to build the streets required by the Council?

A. Yes.

Lawrence Kirstein

Q. Don't you also have to install certain storm drainage features?
A. Yes, I do.
Q. And do you get reimbursed by anybody for that?
A. No.
Q. You put that in in your costs. Do you get
page 48] reimbursed by anybody for that?
A. No.
Q. You have to build them and pave them, and give them to the State?
A. I don't know.

Mr. Riely: I hope we don't go through this with every witness.
Commissioner Catterall: He is trying to mow you down.
Mr. Riely: I am glad to concede it on the record.
Mr. Bauknight: Well, that may save some time if I am sure what Mr. Riely is conceding.
Commissioner Catterall: He will concede anything you want him to concede, and we can take judicial notice of all of these things.
Mr. Riely: You are trying to tell me that all other improvements that a developer puts in, he doesn't get reimbursed for, but he gets reimbursed, to some extent, for water.
Mr. Bauknight: By The Alexandria Water
page 49] Company.
Mr. Riely: In accordance with its filed terms and conditions, which you will find filed with this Commission. As far as I know, that is true, and we will concede it.
Mr. Bauknight: You will stipulate that?
Mr. Riely: Yes.
Mr. Bauknight: Will you stipulate that this applies to all development in Fairfax County?
Mr. Riely: I will not because I don't know anything about all development in Fairfax County.
Mr. Bauknight: Then I will have to ask this witness.
Commissioner Catterall: He stipulated it applied to all of these developments that are here involved.
Mr. Riely: That's what I stipulated.
Commissioner Catterall: You don't care what happens to the others.
page 50] Mr. Bauknight: Oh, yes, I do. I want to make this very plain. That's why we are here. It's not

only what is going to happen in this area, but in all of Fairfax County, and all of Northern Virginia. I certainly won't say I am only interested in what happens in this area.

Commissioner Catterall: These witnesses don't know the answer, and they haven't testified about them.

Mr. Riely: And outside of the area we submit is irrelevant.

Mr. Bauknight: I think we will probably argue that point much later, and this witness said he didn't know, so I think that is the end of that.

Q. Now, Mr. Kirstein, when did you develop an interest in seeing if the Water Company would be willing to serve you?

A. I sent this inquiry in in November, 1964.

Q. And did you get an answer to it—to your

page 51] inquiry?

A. I don't believe I did by mail.

Q. Did you get any kind of an answer to it?

A. Well, the answer was we had discussions, and the discussion was that the area would have to—was not presently in The Alexandria Water Company's system.

Q. Did the Company say it would apply to the Commission to gain this territory as a certificated area at that time?

A. Yes.

Q. That they were interested in doing it?

A. That they were interested.

Q. And also did a representative of the Company also ask you to obtain other letters from other developers in that area?

A. No, they never have.

Q. What was the zoning of your property when you acquired it?

A. It was one acre when I acquired it.

Q. Did you not apply for a rezoning?

page 52] A. Yes, I did.

Q. When was that rezoning application heard?

A. It was rezoned in February, I believe. I am not positive of that, but that's my recollection.

Q. That would be 1965?

A. Yes.

Q. Now, had you also not, prior to rezoning, made inquiry of the Fairfax County Water Authority for that extension of service to your property?

A. No, Sir.

Q. You did not?

A. No.

Lawrence Kirstein

Q. You made no inquiry of the Authority prior to rezoning?

A. I, myself, did not.

Q. Do you know whether anyone, on your behalf, did—your engineer?

A. I believe that my engineer had talked to them, but what came of it I frankly don't know.

page 53] Q. You were very familiar with the zoning case, were you not?

A. Yes.

Q. Did you assist in the preparation of that case?

A. My engineer and my attorney took care of that.

Q. You were not involved in the preparation of it?

A. Yes, I was involved in it, but I did not prepare it myself. My attorney and my engineer did that.

Q. Do you know what was in the material that they prepared? Did you read it?

A. Basically, no.

Q. Did you attend the zoning hearing?

A. Yes, I did.

Q. Did you listen to everything your attorney said at the zoning hearing? I imagine you followed it pretty attentively, didn't you?

A. I attempted to, yes.

page 54] Q. And isn't it a fact that, after the zoning hearing, you represented to the Board of Supervisors that water would be obtained for your tract from the Fairfax County Water Authority?

A. I can't answer that. If it were represented, I, frankly, do not know it.

Q. Are you familiar with the brochure which was presented to the Zoning Commission?

A. Yes.

Q. Is this the brochure which you submitted to the County Board of Supervisors in support of your rezoning application?

A. Yes, it is.

Q. Now, this brochure appears to be a fairly full description of your plans for development. Would you read to the Commission what it says under the heading "Water?"

A. "Water will be provided from the Fairfax County Water Authority by construction of the main from Braddock Road, Route 620, along Guinea Road to the property, a distance of five thousand feet."

page 55] Mr. Bauknight: I have no further questions.
Commissioner Hooker: Any further questions?

Mr. Riely: No further questions.
Commissioner Hooker: Stand aside.

Witness Stood Aside.

page 56] Mr. Riely: Mr. Williams, please.

THOMAS R. WILLIAMS,
a witness introduced on behalf of Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Riely:
Q. Mr. Williams, will you state your name, please?
A. Thomas R. Williams.
Q. And where do you live, Mr. Williams?
A. Springfield, Virginia.
Q. Springfield. What is your occupation?
A. Building and general contractor.
Q. What is the name of your firm?
A. Thomas R. Williams Construction Company.
Q. Have you built houses previously in Fairfax County?
A. Yes, Sir.
Q. How long have you been engaged in that business?
A. Since 1957.
page 57] Q. Since 1957. Now, Mr. Williams, there is a tract of land in the eastern section, as shown on this map, of two hundred acres. It overlaps a little bit into the presently certificated area of Alexandria Water Company. Do you have an interest in that tract?
A. Yes, Sir.
Q. Are you attempting to develop it?
A. Yes, Sir.
Q. What is the nature of the development?
A. Develop it for single family homes.
Q. How many homes do you propose to put in there?
A. Well, the property is zoned one acre. I would propose to develop it, starting out with one acre development, and, perhaps with progress, a part of this rezoned, or a portion of it, proportionately.

Thomas R. Williams

Q. Have you discussed with The Alexandria Water Company the possibility of water service in that area?

A. Yes.

page 58] Q. And would you like to obtain water service from The Alexandria Water Company?

A. Yes.

Mr. Riely: I have no further questions.

CROSS EXAMINATION

By Mr. Bauknight:

Q. Mr. Williams, is your sole motive for desiring to obtain water from the Water Company instead of the Fairfax County Water Authority one of the reimbursement to you by the Company?

A. No, Sir.

Q. What are the other reasons?

A. Well, for one thing I have a reviewal authority. In other words, I have a source I can go to who will review any decision made by the public utility company that I would not have with the Water Authority.

Q. What kind of decision are you talking about?

A. A decision in regard to lines, when to install, and what the cost would be.

page 59] Q. Does not the Company have to do what is provided by its schedules as to rates, rules and regulations of water companies?

A. Oh, yes, Sir.

Q. And you feel, if the Company says they are not going to abide by it, you could make them abide by it?

A. Oh, yes, if they did not abide by it, I could come down to Richmond and discuss it with these gentlemen.

Q. And you say you have no recourse whatsoever if you are dissatisfied with the decision of the Water Authority?

A. Yes, Sir.

Q. Who makes the decisions of the Water Authority?

A. The Board members.

Q. How are the Authority members appointed?

A. They are appointed for fixed terms by the Board of Supervisors of Fairfax County.

Q. What is the length of the terms?

A. I don't know the length of the terms. It is either three or

four years, Mr. Bauknight.

page 60] Q. Do you know whether it is a staggered term?

A. I believe it is a staggered term, Mr. Bauknight.

Q. Do you believe the Board of Supervisors is a body to which a citizen like yourself would have recourse to complain about actions of any County Governmental Department?

A. Yes, Sir.

Q. Any County Agency?

A. Yes, Sir. As I know in the past, the Board has dismissed one Board in its entirety because of its dissatisfaction; but they do not have this opportunity with the Water Authority because they are for fixed terms.

Q. But they don't have to re-appoint them?

A. No, Sir.

Q. Now, you are going to develop this property into single family dwellings; are you not?

A. Yes, Sir.

Q. And you are going to sell those dwellings, we hope, we are sure, to citizens who are going to buy and

page 61] live in them?

A. I hope to sell off the lots primarily rather than the houses. I hope to sell finished lots rather than finished homes.

Q. Yes; but your aim is to sell the property, either in lots or houses or some combination?

A. Yes.

Q. So that any complaints about the service or rates or adequacy of supply, and things of this type, by the people who live in the houses would not be made by you, but by them?

A. Yes; but the chances are they would be made to me though.

Q. As usual?

A. Yes, Sir.

Q. Of course, we know you don't get any such complaints from your houses?

A. That is not true. I wish it were.

Q. Let me ask you this, Mr. Williams. The only thing really that you would be concerned with in having to get some authority to review the company's decisions on, would be the contract under which this service is made avail-

page 62] able to your property; is that not correct?

A. Not just the terms, the timing. The timing is of the greatest importance because in the development of a

large piece of ground, there is a lot of money involved, a lot of interest being paid, a lot of taxes being paid, and the timing is of the utmost importance.

Q. Now, what you want to do then, as I take it — and correct me, if I'm wrong — that, if this application is granted, you want to make a contract with the Company which will cover these things; is this not right?

A. Yes.

Q. And, if you are able to make that contract satisfactorily, the Company will be bound by the contract, won't it?

A. I would assume so.

Q. So, if you cover everything satisfactorily in the contract, then you will be satisfied?

A. Yes, Sir.

page 63] Q. And the only problem that you foresee that you might have to come to the Commission, is if you are unable to obtain satisfactory terms in the contract?

A. Yes.

Q. When do you think you will develop this property?

A. At the earliest possible date.

Q. Have you filed a zoning application?

A. No.

Mr. Bauknight: Thank you very much.

Mr. Riely: Thank you, Mr. Williams.

Commissioner Hooker: Stand aside.

Witness Stood Aside.

page 64] Mr. Riely: May it please the Commission, I suppose that map might go in evidence as Exhibit No. 1, if it can be folded.

Commissioner Hooker: It will be received as Exhibit No. 1.

Mr. Riely: That is our case.

Commissioner Hooker: That is your case?

Mr. Riely: Yes, Sir.

Commissioner Hooker: All right, Mr. Bauknight.

Mr. Bauknight: If it please the Commission, I would now like to make a brief opening statement.

I am going to have to go back a little bit, and perhaps be a little repetitive in refreshing the Commission's recollection of the situation.

On two prior occasions the Commission has granted applications of the Company. The Commission has granted applications on more than two occasions, but on two
page 65] prior occasions the Commission specifically showed in its findings, once in an order and once in an opinion, rendered by Judge Catterall, the unanimous opinion of the Commission, that the only area with which it was concerned was the area then sought by the Company.

If it please the Commission, we maintain that, under the law, this is not the sole area which would be considered. We will show from our evidence that the public interest of the entire, not only the area under consideration, and not only Fairfax County, but the public interest of the entire public of the areas which are affected, and vitally affected, by the Occoquan source of water, which is the Company's sole source of water, and the evidence will show that, must be considered.

Now, I don't intend to bore you at this time with authorities. At the conclusion of the case, a submission of
page 66] a memorandum will be made, if you so desire, and we will go fully into the authorities. Suffice it to say, that I have a number of authorities on this point from various jurisdictions, and similar statutes; and this statute, while very broad, as convenience and necessity statutes generally are, does require that the Commission make a finding before it issues a certificate of convenience and necessity under the Utility Facilities Act, that such extension serves the public interest.

We maintain the Commission must consider the interest of the entire public. This is what the public is. It's not one segment of it, it's not one developer, it's not several developers; it's the people who are going to depend for their water supply particular sources; and we must consider the whole picture.

Further, it is not the interest of the people to-
page 67] day, even the whole people today. It's tomorrow, and it's next year, and it's off into the future. The Commission has pointed this out on many occasions in these cases, that it is not an immediate need that has to be shown; it's future development, and so forth. Now, this is the posture in which our evidence will be presented. We will examine not only the needs of this particular area in public convenience and necessity, in public interest there, but the by far overwhelming public interest of the area as a whole; and we submit that the Commission must consider this.

Now, we are not here, as the Commission in the past has said to us, as a competing agency. We are not here on the

basis that we don't want the Company to have this area because we want this area. Certainly, we want the area, but we want it only as a means to an end. The end is not to compete with the Company, the end is to serve the
page 68] public interest. This is what we are showing, that public interest will not only be better served, but the public interest will demand the County Water Authority serve this area, be in a position to.

Now, the question of granting this doesn't stop us because I think these developers have testified clearly enough to show that practically, if not legally, the granting of this area will prevent it from being served by the Water Authority, and it will mean that the only service will be that of the Company. The Company certainly must continue to serve the area it undertakes to serve. Where the water comes from in these development areas is going to be determined by the developers. The public, the people who live in those houses, have nothing to say about where they are going to get their water. When they buy the house, the water system is there; it's in. They are not going to cut off that system, and
page 69] go to another one. They don't even know where it comes from, half the time.

Commissioner Catterall: Well, my point is they get water quicker from a company than they will from the authority.

Mr. Bauknight: This evidence we can refute very fully, and we shall do so.

Commissioner Catterall: You can get the water there quicker than the company?

Mr. Bauknight: At least as quick, and perhaps quicker.

Commissioner Catterall: If you can get it there quicker, then the water company would have no standing.

Mr. Bauknight: Not if you grant them this — well, only if the developers will let us. If I were a developer, considering the profit motive, and they say they don't care about their profit and they don't make any more profit, but —

Commissioner Catterall: Well, they sell more
page 70] houses if it's cheaper.

Mr. Bauknight: Well, any way you look at it, they wouldn't be down here unless there was a better deal for them. I would wait —

Commissioner Catterall: Your point is that it would be better for everybody if there was only one water company in Fairfax County and Alexandria. Isn't that the point you are making?

Mr. Bauknight: I think you over-simplify, Judge, but this is a —

Commissioner Catterall: I am trying to make it so simple I can understand it.

Mr. Bauknight: Well, let me say this. We maintain, and our evidence will show, that all of the available water sources must be properly utilized in this area. We know the growth of the area, and we would show that.

Commissioner Catterall: Now, what area are you speaking of?

page 71] Mr. Bauknight: I am speaking of the area supplied by the Occoquan Creek, and the Potomac River, the Alexandria, Prince William, Fairfax County areas.

Commissioner Catterall: Your point is that the people in the City of Alexandria can get better and cheaper water if you serve the entire area?

Mr. Bauknight: That is certainly one element of it, of the whole area.

Commissioner Catterall: Cheaper and better water if there is only one supplier of water in Northern Virginia — is that what you say?

Mr. Bauknight: I would say in the areas of Northern Virginia dependent upon the Potomac and the Occoquan, which is all we can supply.

Commissioner Catterall: Is that all of Fairfax County and Alexandria?

Mr. Bauknight: And Prince William.

Commissioner Catterall: And if you had one water company it would be better for everybody?

page 72] Mr. Bauknight: I would not say that. I would say that the only Body that can fill this need is the Fairfax Water Authority, the only one. The Water Company couldn't —

Commissioner Catterall: But putting two and two together, it is better to have one supplier, and if there is to be one supplier, your client can do it better than Riely's client.

Mr. Bauknight: That is correct. Not only can do it better, but is the only one that can do it. We will show that Mr. Riely's client can't do it.

Commissioner Catterall: All right. I understand.

Mr. Bauknight: If this is an opening statement, I will put on the evidence which I am sure will show that I have not gone beyond what the evidence will show.

Mr. Riely: I am sure it will. May I comment briefly? If

page 73] Mr. Bauknight is going to try this case in a spirit of reference to all of Virginia North of Fredericksburg, I am going to object to it, if your Honors please. I agree with him that the statute requires the public interest and the public interest is the criterion on which Your Honors must make a decision in this case, and the public interest is obviously the interest of the public in the territory. Now whether it is limited to that little particular area, I won't say that it is. It is obvious to me it is not, but it certainly is absurd to take everybody North of Fredericksburg and consider that as their obligation in this matter, and I just want to state my position for the record that we object to such a statement. Furthermore, this is not the forum, if Your Honors please, to determine the broad question of whether water should be drawn, all water drawn from the Potomac and all water from the *Occoquon* should be dispensed

page 74] by one organization. Mr. Bauknight can't do that anyhow. He can't get Arlington County. He can't get the City of Fairfax and places West. So he can't show what he says he would like to show. But I suggest that this is not the place to make that broad policy decision.

Commissioner Catterall: I don't see how we can consider all of that. Mr. Bauknight's whole point is not geared to this particular thing. This is the whole of Northern Virginia.

Mr. Bauknight: I say to the Commission that the statute requires that you make a finding of whether the extension is in the public interest. It does not say whether it is the interest of the people in the area. It says whether it is in the public interest. There are cases galore and I have many of them here, if you want to hear them.

page 75] Commissioner Hooker: The Supreme Court upheld this Commission in the Washington Gas Light Company case and the Virginia Gas Distribution Company in Prince William County in the development of the whole County area.

Mr. Bauknight: Well, Your Honor, I have studied this case thoroughly many, many times, and I find no point in this that you are not to consider the interest of any other area.

Commissioner Catterall: Are you going to have us consider here that if you succeed in condemning The Alexandria Water Company, your service to the City of Alexandria will be better in chief?

Mr. Riely: That is what he said.

Mr. Bauknight: The condemnation is one of many elements. I have evidence, if it please the Commission, and if

you want to hold that you are not to take evidence and consider the question of whether this Company can serve even the area it now has, I can't stop you from hold-
page 76] ing it, but I submit it is irrelevant.

Commissioner Catterall: Of course that is relevant.

Mr. Bauknight: The whole question of the public interest is relevant.

Commissioner Catterall: I know but you have just cut out of that whole Northern Virginia picture the question I put to you as to whether we are going into the question of the service to the City of Alexandria.

Mr. Bauknight: Your Honor, we will go into it as far as is necessary to develop what is in the interest of the public as a whole. I don't intend to argue the condemnation case here. It is not before you, but certainly it is material to consider that it is pending, which it is, and it is material to consider where the people of Alexandria are going to get water.

Commissioner Catterall: If you win the condemnation case, it will save us a lot of headaches.

page 77] Mr. Bauknight: But it won't save the public a lot of headaches.

Commissioner Catterall: If you don't win the condemnation case, then the point you are making about the total welfare, goes out of the window.

Mr. Bauknight: Well, here is one consideration and one only. If the Company goes in here and puts in its facilities, the facilities which it puts in very well might not be suitable or might not fit in with the over all plan of the Authority's facilities which would serve the same area in the event the condemnation case was successfully concluded. This is an element of the public interest. The interest of the man at Centreville and Fairfax County is just as much involved as the interest of the man involved here in this area. The interest of the man in Alexandria is.

page 78] Commissioner Hooker: His only interest is whether he is going to get water.

Mr. Bauknight: That is true and that is certainly a legitimate interest.

Commissioner Hooker: And the matter before us is whether they have got enough water to serve this territory and all the other territories they are now serving. That is the public interest. What is your evidence?

Mr. Bauknight: I have a lot of evidence which I will certainly have to offer. If you don't see fit to receive it, that is your prerogative.

Commissioner Catterall: I guess we will have to listen to it, I suppose, but it is not relevant.

Mr. Bauknight: If you don't want to hear it, I think you are wrong,—

Commissioner Hooker: We will hear the evidence that is material.

Mr. Bauknight: Thank you. Mr. Niles will be the first witness.

page 79] THOMAS M. NILES,

a witness introduced on behalf of Interveners, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Will you state your name and address?

A. Thomas M. Niles, 643 North East Avenue, Oak Park, Illinois.

Q. What is your profession, Mr. Niles?

A. I am a professional civil engineer in private practice in the sanitary engineering field which comprises water supply, water pollution control and residence disposal.

Q. What is your educational background and experience in this field?

A. I am a graduate of the University of Wisconsin in 1923 in civil engineering. I taught as an instructor in the Department of Hydraulic and Sanitary Engineering at the University of Wisconsin for two years, 1923 to 1925.

From July 1925 until the present time I have been associated with the firm of Greeley & Hansen who
page 80] specialize in this field.

Since 1940 I have been a partner in that firm. During that time I have been associated with, I assume, several hundred projects. In the general field our practice includes sanitation, design of works, supervision of construction, water supply and similar projects; and we number among our clients many of the major cities in the United States, several in Canada and Latin America.

In Virginia I personally have been active since the early forties in work with the Hampton Roads Sanitation Commission, the City of Portsmouth.

Since 1950 we have been engineers for the City of Rich-

mond in its sewerage disposal project. We maintain a Richmond office on that project.

We *havebeen* active on various projects, water, sewerage and refuse for Alexandria, Virginia, and the Alexandria Sanitation Authority from 1944 to the present time.

In Fairfax County we performed studies which led to the formation of the Water Authority prior to the
page 81] acquisition of the Annandale system, and we have been engineers for the Water Authority ever since its inception.

My general experience in the Washington-Metropolitan area dates from about 1943. From 1943 to 1946 we were consultants through the Washington *Aquiduct* and the District of Columbia on plans for future water supply for the District. We have had several engagements by the District and by the Washington Aqueduct since that time on reports and designs on water system facilities, including designs of construction and remodeling of the Plant Street and Annacostia Pumping Stations, and the design of the new Dalecarlia Pumping Station for the Washington *Acquiduct*.

We have also been busy since 1934 on the District of Columbia sewerage disposal projects. We have had many engagements in connection therewith and are now active on design of further improvements.

For the past twenty years or more the major part of my time has been spent on water supply and Pollution control in the Washington-Metropolitan area, and I be-
page 82] lieve I am quite familiar with the problems of the nature of the development and requirement.

I expect to be a member of the Board of Engineers that will soon start studies for the Metropolitan Area Council of Government on future water supply for the entire Metropolitan area.

I am a member of the American Society of Civil Engineers, and I have served as National Director and Vice-President in recent years.

I am a member of the American Institute of Consulting Engineers, American Water Works Association, Water Pollution Control Federation, National Society of Professional Engineers, American Academy of Sanitary Engineers, Western Society of Engineers, of which I am a past Trustee, and I have served on various committees of several of these organizations.

I am a registered professional engineer in Virginia, in

eleven other states, and the District of Columbia.

Mr. Bauknight: If it please the Commission, I submit Mr. Niles as an expert witness.

Commissioner Hooker: There is no question about his qualifications.

page 83] Mr. Riely: I don't think there is any question about that.

11:15 A. M. Commissioner Hooker: The Commission will recess for ten minutes.

11:30 A. M. The Commission resumes its session.

Commissioner Hooker: Proceed.

Mr. Bauknight:

Q. Mr. Niles, in the course of your duties as Consulting Engineer to the Fairfax County Water Authority and to the other agencies in the Washington-Metropolitan area, which you have mentioned, have you had occasion to make various studies incident to the water mains and water supply facilities in this area?

A. Yes, Sir.

Q. Have you directed your attention specifically to the adequacy of the Occoquan source to supply the needs of the area now in question and to serve the presently certificated areas of the Company?

A. Yes, Sir.

Q. Based on your experience and considering the studies you have made, have you formed an opinion as to the adequacy of the Occoquan source to supply the areas

page 84] which the Alexandria Water Company has undertaken to serve, that is, its presently certificated areas, as well as the future needs of other areas which properly should be served by this source?

A. Yes.

Mr. Riely: I object to this because it relates to areas "properly to be served by this source."

Commissioner Hooker: It should be limited to the Alexandria Water Company's area.

Mr. Riely: It should be limited to Alexandria Water Company's certificated area.

Commissioner Hooker: It has nothing to do with territory in Washington City or some other place.

Mr. Bauknight: May it please the Commission, again our argument, or rather our position is—

Commissioner Catterall: We will let you argue it before we over-rule you.

page 85] Commissioner Hooker: We know what he is going to say.

Mr. Bauknight: Thank you. I appreciate that.

In considering the interest, we must consider the interest of the entire public which is served by this Occoquan source, and to determine what that public is, you should hear and determine expert opinion as to what segment of the public is dependent upon that source. Now we have this information, not only for the present certificated area, which we can present if we are limited to that, but we also have it for areas which, in Mr. Niles' opinion, will have to depend on the Occoquan source.

Commissioner Hooker: Prince William County, the whole County, might have to depend on it on that basis.

Mr. Bauknight: Absolutely. It very well might. I think Mr. Niles is entitled to express his opinion, his

page 86] expert opinion, as to how much of Prince William County that might be, and we have, which is the next thing Mr. Niles is going to do, present an exhibit which will show you this, not only for the certificated areas, but for the areas outside, in which in his opinion—his opinion might not be right about these outside places, it is only his opinion—but it is an expert opinion, and I submit that it is very material.

I don't see how you can permit this Company to take on more responsibilities for the use of this Occoquan Water without considering the other areas that will be deprived of it. I think it is material under statutory language that you must find that this Application serves the public interest, and I submit that Mr. Niles is qualified to give you that information.

Commissioner Catterall: I don't follow that at

page 88] all. You have the Alexandria Water Company there taking water from the Occoquan River, and they are allowed to take all the water in the River as far as the law of Virginia is concerned. The Water Authority is going to serve that area on Exhibit 1, and it will take the same amount of water to serve that area no matter which one serves it.

Thomas M. Niles

Mr. Bauknight: Except the water could come from another source. I submit that you should hear Mr. Niles. I submit that it is material. He is qualified as an expert.

Commissioner Catterall: I don't see how that could be material.

Commissioner Hooker: It should be restricted to that territory.

Commissioner Catterall: If he considers there is not enough water there to serve the Alexandria Water Company's commitments, then, of course, that is material.

page 88] Commissioner Hooker: And that is all that is material.

Commissioner Catterall: We don't want to grant a certificate to somebody that does not have enough water to serve the area.

Commissioner Hooker: That could expand and go all the way to Winchester on that basis. I mean on your theory. On your theory a Company cannot get any additional territory just because somebody else might want the water but it has plenty of water to serve all the territory it has, and is requested, I just don't buy that at all under the law.

Mr. Bauknight: There is, obviously, an area which must be served by water from certain sources. Now this engineering study and testimony develops which areas should be served from what sources. Now, if this Company sought to serve Winchester, I am sure you would turn it down because it has no source of supply which could possibly, engineeringwise, serve Winchester, but I submit that the Commission cannot ignore—

page 89] Commissioner Hooker: The Commission rules that it is limited to the territory now being served, and proposed to be served by Alexandria Water Company. The rest of it is eliminated. You can except to the ruling. You don't have to accept our view. The Supreme Court always corrects our errors.

Mr. Bauknight: I would like to make it clear in the record that I have offered testimony as to the other areas.

Commissioner Hooker: The record will show that.

Mr. Bauknight: Would the Commission permit us to show, for the sake of the record, what we would have proved had you admitted it?

Commissioner Catterall: Have you got it written out so you can just hand it to the reporter?

Mr. Bauknight: It is on chart.

Commissioner Catterall: You want to preserve your point by making an offer of evidence, and your offer

page 90] of evidence is that, if this water supply is used by the Alexandria Water Company, there won't be enough water for some other place?

Mr. Riely: That is outside of its certificated area.

Commissioner Catterall: That is outside of its certificated area. Now you have made that offer of proof and you have the witness that is ready, able and willing to testify, so it seems to me you have preserved your point. If we are wrong, then the Court of Appeals will send it back for finding on that point.

Mr. Bauknight: The offer I made, and which the Commission has ruled on, was an offer of testimony showing the needs, water needs, of areas, which in the opinion of this witness should properly be served by the Occoquan source. That is his offer.

Commissioner Catterall: Which in his opinion are dependent upon the Occoquan source.

page 91] Mr. Bauknight: In his opinion.

Mr. Riely: Which are outside the certificated area.

Commissioner Catterall: Which are outside the certificated area and outside of the area which is now requested.

Mr. Bauknight: That is the offer which you have not accepted. Now, do I understand that I may proceed with testimony as to the area that is now presently certificated?

Commissioner Hooker: Limited strictly to that.

Mr. Bauknight: If it please the Commission, the exhibit which we have prepared will show the other information as well as this information. On referring to the exhibit, I realize that the Commission can cut it out and ignore part of it.

Commissioner Hooker: There is no need for taking all of our time to put that in the record. Judge Catter-

page 92] all has very aptly stated you have made your point, and if you want to appeal it is in the record.

Mr. Bauknight: I am not attempting now to put in the record the testimony which you have excluded. I am just saying that the testimony you are permitting is shown on the same exhibit which we would like to refer to as to the other.

Commissioner Catterall: There is no objection to that.

Commissioner Hooker: There is no objection to that. The witness I am sure is competent enough to eliminate anything we have ruled out.

Mr. Bauknight: We can't eliminate it without drawing a new exhibit. If you look at the exhibit you will see what I mean, and I don't think there will be objection.

Mr. Riely: Let us look at the exhibit.

Commissioner Catterall: We are going to look at the material part of the exhibit and ignore the rest.

page 93] Commissioner Hooker: And the testimony is limited to the ruling of this Commission.

Mr. Bauknight:

Q. Mr. Niles, restricting your answers to the areas presently certificated to the Alexandria Water Company, have you formed an opinion, based on your experience and considering the studies which you have made, as to the adequacy of the Occoquan source to supply the future water needs of that area?

A. Yes, Sir.

Q. What is that opinion?

A. May I refer to this?

Q. Yes. Now, Mr. Niles, referring to the exhibit as necessary, will you proceed to explain to the Commission your opinion on this subject?

A. Yes. And I would like to start with the statement that in this exhibit which is entitled "Projections of population of Water Requirements"—

Commissioner Hooker: You want this as Ex-

page 94] hibit No. 2?

Mr. Bauknight: I beg your pardon.

Commissioner Hooker: You want this as Exhibit No. 2?

Mr. Bauknight: Thank you.

Commissioner Hooker: Received as Exhibit No. 2.

A. (Continued) dated June 10th, 1965, we have included our projection of population and water requirements from the year 1960 to the year 2010 by definition. 1960, 1970, 1980, 1990, 2000, 2010, for the following areas:

First, the City of Alexandria, which I believe may be con-

sidered as being in the Water Company's certificated area.

Second, Fairfax County with a note which reads: "Present Certificated Service Area plus Fairfax County Water Authority Mount Vernon area," which we believe and understand, the Company is obligated to serve by agreement.

page 95] We consider everything we have included in Fairfax County is defined as Certificated Service area.

Q. The Company has agreed to serve the Authority?

A. That is my understanding. Not included under the Fairfax County portion of these figures is the area now requested for additional certification.

In Prince William County, first, we have included Occoquan-Woodbridge, which is noted to be "Occoquan-Woodbridge Sanitary District and Surrounding Areas." It is my understanding that the Company is obligated to serve the water needs of the Occoquan-Woodbridge Sanitary District. To what extent surrounding areas are included I don't know. I will have to admit that I don't know that. I might say that the figures I have used on population for the Occoquan-Woodbridge Sanitary District and surrounding areas are those I obtained from a recent report of engineers on the water requirements of Occoquan-Woodbridge Sanitary District.

page 96] Mr. Riely: It would seem that that portion of the exhibit is objectionable because he does not know. From the witness' own statement it would seem that it is objectionable.

Commissioner Hooker: He said he did not know. It might save time to just let him go ahead. Proceed.

A. The other portion of Prince William County entitled "Other Areas" is other areas assumed to be supplied from Occoquan, including Dumfries Triangle Sanitary District.

Commissioner Hooker: Now that looks like it might be objectionable.

Mr. Bauknight: May I ask one question on that point please.

Commissioner Hooker: Yes.

Mr. Bauknight: Does the Company have an agreement to serve the Dumfries-Triangle Sanitary District?

A. That is my understanding.

Mr. Riely: Does it have an agreement to serve the surrounding area?

A. I don't know.

page 97] Q. You don't know. And if I told you it did not, you would not be surprised, would you?

A. I would not be surprised.

Mr. Riely: This portion of the exhibit is obectionable because it does go outside the certificated area, the area it is obligated to serve.

Commissioner Catterall: It also goes outside the time during which this sort of projection would apply.

Commissioner Hooker: Yes. I don't think many of us are going to worry about fifty years from now. We will let Dr. King look after that.

Mr. Bauknight: Again I certainly want to make an offer on that.

Commissioner Catterall: Why did you stop at two thousand instead of three thousand?

Mr. Bauknight: Why did we do what?

Commissioner Catterall: Why did you stop at two thousand instead of three thousand A. D.?

page 98] Mr. Bauknight: It stops at 2010. That is fifty years.

Commissioner Catterall: Why stop at fifty instead of a hundred years?

Mr. Bauknight: Because this is enough to show the effect of the growth in the area on the adequacy of the source.

Commissioner Catterall: There is certainly a lot of speculation involved here unsupported by any facts.

Commissioner Hooker: Let's just let the witness go ahead.

Mr. Riely: You understand subject to my objection?

Commissioner Hooker: Oh yes. Go ahead.

A. Might I further point out that, recognizing that some areas in Prince William County are included which the Company is not now obligated to serve, as I understand, it seems to me that those are a relative minor proportion of the areas I have included in the population. A relatively minor adjustment of the two top lines would be involved.

page 99] Now, applied mathematically, the lower portion of this exhibit, our forecast of the water requirements, the nearly average million gallons per day for the period 1963 through 2010, for the City of Alexandria, for the portion of Fairfax County within the presently certificated area, plus the Mount Vernon portion of the Authority's

system, plus these two portions of Prince William County. That shows that within the present certificated area of Fairfax County, Alexandria alone, the yearly average water requirement, in my opinion, will increase from approximately twenty three million gallons per day in 1960 to something over ninety million gallons per day by the year 2010.

We have heard and read in testimony various estimates and statements of the safe yield of the Occoquan supply. Some years ago the Company testified that fifty million gallons per day was certainly a safe yield. We had no argument with that. More recent testimony in various hearings has indicated that further calculations led to estimates of somewhere in the neighborhood of sixty-two to sixty-three gallons per day with the dam at its present height and

page 100] when the flash boards are added, it is somewhere between seventy five and seventy seven million gallons per day.

I, personally, made a rough check a good many years ago at an elevation of one twenty, and my rough estimate at that time was for a yield of sixty five million gallons per day, which seems to be in line with the testimony presented at various hearings by the Company's experts and we have no argument with that.

I would like to point out that, if we take sixty five million gallons per day as a safe yield of the Occoquan supply, that before the year 1990, the requirements of Alexandria and Fairfax County's certificated areas alone will reach that point, and there will be no water left for a drop to go to Prince William County or anywhere else.

Mr. Riely: Excuse me, will you repeat that please.

A. Do I have to repeat it word for word. Maybe it could be read.

page 101] Commissioner Catterall: No, all he said was in 1990 they are going to run out of water.

Note: Reporter read the answer as follows:

"A. I would like to point out that, if we take sixty five gallons per day as a safe yield of the Occoquan supply, that before the year 1990, the requirements of Alexandria and Fairfax County's certificated areas alone will reach that point, and there will be no water left for a drop to go to Prince William County or anywhere else."

Thomas M. Niles

Mr. Riely: Thank you Mrs. Wootton, I just did not hear it.

A. (Continued) If it is assumed that the safe yield of the Occoquan supply is seventy five million gallons per day, that amount would be only sufficient to meet the requirements of Alexandria and the Fairfax County certificated area up to about the year 1996. I think this shows conclusively that, according to my best judgment, available supply of Occoquan in the foreseeable future will no longer be suffi-
page 102] cient to meet the needs of the present certificated areas of Fairfax County and Alexandria alone, and certainly not if any portion of Prince William County is included.

Commissioner Hooker: Water shortage is one of the things that is all over the Country, isn't it? New York is having water difficulties, aren't they? New York City?

A. I understand they are having another low rainfall period in their reservoirs. That they are having a water shortage now, yes, Sir.

Commissioner Catterall: They are putting people in jail for offering you a drink of water if you live in the town?

A. Yes, and I did a little figuring and I found out that the people would have to stop drinking a hundred and twenty glasses of water every meal in order to save the fifteen million gallons that people are talking about.

Commissioner Catterall: It shows in short that they are going crazy in New York over this thing?

A. Yes, that is right.

page 103] Commissioner Hooker: From your experience in matters of this character, fifty years from now possibly every place in the United States will be short of water, isn't that correct?

A. Well, we hope that the engineers will be able to keep abreast of the demands in figuring out a place to get the water, in fact, that is what one of our primary jobs is. We don't look for an actual water shortage but we do look for developments to be anticipated in time to have the water available when it is needed.

Commissioner Hooker: They are talking about piping it now from all over the Country, aren't they?

A. There is some talk about that but, at least in the Eastern portion of the United States, we don't see any need for any

importation of water from any great distance, but do see the need of progressive development of drainage areas.

Commissioner Hooker: Are you through?

Mr. Bauknight: No, sir.

Commissioner Hooker: Go ahead.

page 104] Mr. Bauknight:

Q. Mr. Niles, Judge Hooker's question was very pertinent to this issue. As I understood your answer, to meet the shortages that are going to exist, the engineering profession is going to have to devote study to them and come up with ways to do it?

A. Yes, and they will do so.

Q. Now, without any regard to any future speculative developments or procedure to get water from other places, can you state whether or not Fairfax County Water Authority can from presently available sources serve the area now sought and further can serve other areas of Fairfax County which it has now undertaken to serve as well as the rest of Fairfax County?

A. Yes, Sir.

Q. Will you explain this to the Commission as to where this water comes from and the availability of it?

A. Perhaps I should look at the exhibit which page 105] is a map prepared under my direction of the general scheme for the supply of water to this and other areas. The area for which certification is now requested is shown on that map in orange. Generally, the area to the right of that orange is the area now certificated to the Water Company, and of course to the City of Alexandria, and they do supply water to Occoquan in Prince William County.

The red line shows certain of the major facilities of the Water Authority which now supply water to portions of Fairfax County. The last one Mr. *Corbliss* pointed to is the one that is now under construction to serve the Centreville area. We realize—now all of this water comes from the Potomac. It is produced at the Dalecarlin Filter Plant in the District of Columbia. The first portion of the line of Route 123 is a Falls Church Line which has sufficient capacity to supply Falls Church's needs, plus all the water the Authority is now taking. From there on the line is a water Authority line and, as I say, all the water comes from the Potomac with the exception of an occasional peaking supply of a relative-

ly few gallons that may be purchased, I guess
page 106] from the Alexandria Water Company at about
the point Mr. Corbliss is pointing to. A few gallons per year there.

In the Eastern portion of the County, what we call the Mount Vernon area of the Water Authority System, the water is supplied by the Alexandria Water Company by agreement with the Authority.

So much for the present supply to the area. We realize that the capacities of the present facilities are somewhat limited. They will have to be expanded, paralleled, augmented with additional facilities in the future, and in the very near future. We realize an additional supply from the Potomac River will be needed. The solid blue line shows generally that first expansion of the source of supply which would include an intake and filtration plant out near the Potomac River, a transmission main which would come down to Reston and come on across the area between and farther South to the area west of Fairfax, between Fairfax and Chantilly. We are now supplying water to Dulles Airport, which is way
off to the left there, and that main would con-
page 107] tinue — the initial program, we estimate, would
also include a line that would extend easterly along Braddock Road to hook up with the system served by the Authority from the east, on the east of Fairfax.

The solid red lines are existing facilities. The dotted red lines are scheduled for construction, and I might say have been for some time. And the dashed and dotted blue lines are further expansion in the future and further additions, all of which would be constructed, according to the development that we visualize, that we have studied, in time to supply the needs as they arise in the various areas.

Q. Now, Mr. Niles, in your capacity as Consulting Engineer for the Authority, is it part of your duty to make the projections of the water availability and development of the various areas in support of the Authority's issuance of revenue bonds?

A. Yes.

page 108] Q. Has the Authority recently completed an
issue of revenue bonds?

A. Yes.

Q. And did you prepare and submit for the use of the underwriters and prospective purchasers of the bonds, an

engineering report covering these matters?

Mr. Riely: Objection, if Your Honors please. The availability of the water to the Authority is not relevant.

Mr. Bauknight: The availability of water to this area is relevant, if it please the Commission.

Commissioner Catterall: Let him put it in.

Mr. Riely: If the report relates to the availability of water to this area, I would agree; but I would like to see the report because I don't believe it so states.

Commissioner Hooker: Is it limited to the certificated area, and the area that they are obligated to serve?

page 109] A. This area is included in the area for which we projected customers and revenue, and to which we figured we would have to supply water.

Mr. Riely: In other words, he is saying that this little part of Fairfax County is included in his whole study of all the rest of Fairfax County served by the Authority.

Commissioner Catterall: The map doesn't show any proposal to serve the area that is now being sought to be certificated.

Mr. Bauknight: These lines that the witness has testified were facilities planned long ago. I can —

Mr. Riely: The witness did not testify those blue lines were planned long ago; did you, Sir?

A. No. The blue lines, however, were considered and selected as appropriate in connection with our studies of future capital requirements within the area to be served by the facilities for which the bonds are being issued, and so on. The cost of getting water to those areas by means of the blue lines, for instance, were included in our

page 110] forecast of capital requirements in the relatively near future.

Mr. Riely:

Q. Your study you are talking about, Mr. Niles, is related to the entire area served by the Water Authority?

Mr. Bauknight: May it please the Commission, may I ask that Mr. Riely be requested to defer his cross examination until the proper time?

Commissioner Catterall: Well, let the witness make his offer of proof; and then Mr. Riely can cross examine him.

Thomas M. Niles

Mr. Bauknight:

Q. Now, Mr. Niles, with reference to this Engineering Report, which you state you have here with you today, does this Engineering Report include information and conclusions and recommendations as to service to the area now sought by the Company?

A. Yes.

page 111] Q. Does it also include information and your conclusions as to the Authority's ability to serve that area, both financially and from the standpoint of the availability of water?

A. Yes.

Q. In addition to the area now sought by the Company, does not the Engineering Report deal with the financial ability of the Authority and its ability from the standpoint of water supply to serve other areas shown on this map?

A. Yes.

Mr. Riely: May it please the Commission, to the extent that the report shows that other areas — relates to the other areas shown on the map, I object.

Commissioner Hooker: He is stating that the financing of this bond issue will take care of that development.

Mr. Bauknight: If it please the Commission, I certainly have no wish to stay here any longer than necessary or keep anybody else here, but I do think that this is very

page 112] material, that it is material to show the Authority's financial and other ability to serve this area. It is very material to show, in proving that, that it can also serve everything else that it is cut out to do; otherwise, it couldn't serve that area.

Commissioner Catterall: Let the witness say "Yes," and that will close that offer of proof.

Mr. Bauknight: It won't because I now will offer the Engineering Report in evidence.

Commissioner Hooker: It will be received as Exhibit No. 3.

Mr. Bauknight:

Q. Now, Mr. Niles, with reference to the Engineering Report, Exhibit No. 3, would you point out to the Commission wherein this report covers proposed service to the area now sought by the Company?

Thomas M. Niles

A. If you look on page 22, which is the first page 113] page of the Engineering Report, and then look at the second one of the figures that follow that page, the second fold-out figure entitled "WATER SERVICE AREAS," you will see a lot of light blue stuff as well as dark blue. The light blue is called 1P, that is the future Water Authority Service Area. The dark blue is also called — well, some 1P for Potomac, and 1M for Mount Vernon, and 1A for Annandale, the present Water Authority Service Areas.

By reference to this figure on third from the last paragraph on page 22, which says "The Authority is the logical supplier of water in these service areas." The purpose of this is to show what the report is about, the areas it covers, and to which it plans to supply water; the plan in this feasible study and the study of future requirements and the plan to supply water to all of the areas, if and as needed, within the blue areas shown on figure two, which includes this particular area.

Q. And your conclusion, as pointed out in this report, states that the Authority will have the financial ability to page 114] do what it is proposed to do in the report?

A. Yes, Sir.

I might say that, in our detailed studies of service to this general area, we broke the entire service area, present and future, down into *subareas,* and we have figures to show that we actually counted on so and so many customers to serve as a basis, to be sure, from this particular area.

Q. From the area now sought by the Company?

A. Yes; there is no question about it.

Q. At the time you made those studies, did you have any indication that the Company was going to apply for this area?

A. No.

Commissioner Catterall: Well, also, this projection assumed that you were not going to acquire Alexandria Water Company?

A. That's correct. This report does not —

page 115] Commissioner Catterall: It does not take you to the year 2010, which Mr. Bauknight hoped it would.

Mr. Bauknight: If it please the Commission, I think that it is obvious that this representation made to the bond buyers

does not contain any assumption as to whether or not the rest of the Company would be included or not.

Commissioner Catterall: But it has "Future Water Authority Service Area."

Mr. Bauknight: Under existing known pertinencies.

Commissioner Catterall: Oh, I see.

Mr. Bauknight: Which I think is all that he can list.

Commissioner Catterall: The word "future" suggested it.

Mr. Bauknight: The designation of the No. 6 is identified as The Alexandria Water Company.

page 116] Commissioner Catterall: Doesn't it propose to show what the Authority plans to do in the future? I understood the words "Future Water Authorize Service Area" to mean the future service area?

A. If we had assumed that the Future Service Area would include the area after The Alexandria Water Company is acquired, of course, that would have — but that was not the purpose of this report. We didn't want to mislead anybody into thinking we were going to get anything back through their bonds from all their customers of the water company system.

My own feeling is that, for the purpose of this report, the future service area is correctly shown.

Commissioner Catterall: The light blue, in other words, is the part not being served by any other water company at the time the map was printed?

A. Yes, Sir.

Mr. Bauknight:

page 117] Q. Is it also the area in which, in your opinion, would be properly and logically served and *and* financed, from an engineering standpoint, by the Authority?

A. Yes.

Q. And this was the opinion that you represented to the bond buyers in giving them this report, is it not?

A. Yes.

Q. Now, with specific reference to the map — I guess we will use Mr. Riely's map — the Richmarr Construction Corporation tract — is this the location of that tract?

A. Yes.

Q. Where is the nearest existing authority's main?

A. In this area.

Mr. Bauknight: I guess we should mark these as exhibits, as we talk about them.

Commissioner Catterall: They are too big. Can you fold them?

Mr. Bauknight: Yes, Sir.

Commissioner Hooker: You want that as Exhibit No. 4?

page 118] Mr. Bauknight: Yes, Sir.

Commissioner Hooker: That will be received as Exhibit No. 4.

Mr. Bauknight: And the next one.

Commissioner Hooker: That is received as Exhibit No. 5.

Mr. Bauknight:

Q. Now, Mr. Niles, for clarification, in your prior testimony about the red lines and blue lines, and various lines, you were referring to Exhibit No. 4; is that right?

A. Yes.

Q. Now, with reference to another map, Water Service Areas, dated June 1, 1965, and marked Exhibit No. 5, using that map for reference, will you tell the Commission the location of the existing Authority's mains with relation to the Richmarr's development?

Bailiff: Mr. Bauknight, Mrs. Wootton is not getting your questions. If you will stand closer, please.

page 119] Mr. Bauknight:

Q. Did you get that question?

A. Yes; and I'm not sure I'm qualified to answer that question, Bill, because that map was not prepared under my direction; and I, therefore, hesitate to testify exactly what is shown.

Mr. Bauknight: We have another witness who will know about that. I withdraw that question.

Q. Now, Mr. Niles, in your bond studies and representations set out in your Engineering Report, — with reference to your bond projections again, and referring to the area now sought by the Company, were the revenues from this area included in your supposed revenues?

A. Yes.

Q. Now, let me ask you this question as a final question:

Thomas M. Niles

Based on your knowledge of this area, and the studies you have made, and your past experience, do you have an opinion as to whether the interest of the public of Fairfax County would be best served by the granting of this
page 120] certificate to the Company or by the denial of this certificate to the Company?

A. My opinion is that their interest would be best served by the denial of this certificate.

Q. Would you explain the reasons for that opinion?

A. Without going clear up to Winchester and Lake Peery and all those places, our studies generally indicate, as time goes on, a nonprofit public water supply utility is less costly for good service than the profit making, tax paying enterprise operation. We see that the return on investments amounts to a considerable number of millions of dollars over the years, and the same with the taxes that are paid. We feel that we find that on the public ownership, there may not be much of any difference financially, but, sooner or later, as the capital requirements are met and the bonds are retired, that they no longer have to pay interest on bonds that have been retired, that, in the long run, the public gets
page 121] excellent service at lower cost under public ownership. That's a pretty general statement. I would say that all studies we have made in this particular area have indicated the same thing.

Q. Did you consider the question of the interest of the public as related to the availability of coordinated sources of supply as against those which are independently operated?

A. Well, I think it should be perfectly obvious that in *a* area where there is considerable demand for water, that the fewer restrictions there are on the economical and reasonable and logical development of utilization of those sources, the better off the public would be.

Q. And in this particular area what are the two economic sources of supply?

A. Well, there may be more than two. I would like to list a good many. The No. 1, of course, is the Potomac River. I think probably Occoquan is the No. 2 in this particular area. Goose Creek has more development now, and has some potential, and the City of Fairfax gets water there.
page 122] There are certain ground water supplies perhaps that have not been fully developed. There are other surface streams which may be developed, not right in

the Metropolitan Area, but in the general vicinity. There is even talk of desalinization of brackish water further down the Potomac. There is even talk of taking water out opposite Fairfax County in the lower end and giving it some kind of special treatment in the future and making it available. There are many sources that have been mentioned, and will be ultimately studied and analyzed in connection with the overall requirements for the Metropolitan Area. Rappahannock has been mentioned, and that must be considered as a possible source; and whether or not the demands of the people in the Rappahannock Valley will take precedence over the demand here, I just don't know. I do think that it's quite likely that the most logical and economical and best all around development for major additional water supply in the area will turn out to be the Potomac River with some impoundment upstream.

page 123] Q. And, under the presently existing circumstances, what is the proper source, in your opinion, of water supply from the area now sought by the Company?

A. Under the presently existing circumstances, the Potomac River is the logical source.

Q. Do you know whether or not the companies can obtain water from the District of Columbia treatment plant?

A. My understanding is that they cannot.

Mr. Riely: I object to that answer, if Your Honors please.

Mr. Bauknight: I just asked him if he knew.

Mr. Riely: He said "It is my understanding." He didn't say he knew.

Commissioner Hooker: He has already answered now.

Mr. Bauknight: May I ask one question?

Commissioner Catterall: Is this geared to 1965 or 2010?

Mr. Riely: It seems to me it is a legal question.

page 124] A. May I explain one of my recent answers? It worries me a little bit about your question, about "Under present circumstances, what is the logical supply for this area?"

Mr. Bauknight:

Q. I will explain my question. Under the present circumstances of water sources; it is the development of the availability of water sources, not under the present demands, considering present and future demands.

Thomas M. Niles

A. Well, considering future demands, and considering the fact that, in my opinion, the Occoquan source is not adequate to supply even the present certificated areas, on that basis, I say that Potomac must be the logical source for this area.

Mr. Bauknight: I have no further questions.

CROSS EXAMINATION

By Mr. Farley:

Q. Mr. Niles, referring to your Exhibit No. 2, in arriving at your estimates of population, you did not make
page 125] any independent investigations of those figures, but more or less adopted them from some other source; isn't that correct?

A. Not entirely. I have made a good many independent forecasts of population in the area. Every time I do, I change them a little bit. I am guided by population studies made by others.

Q. I understood specifically, in the preparation of this exhibit, you were guided by studies made by others?

A. No, I wouldn't say I was guided by the studies made by others. I had made forecasts. Actually, if you want to know what figures I used, actually I concluded to use figures that had been prepared by Fairfax County; I used the figures that had been prepared for individual enumeration districts, present and future populations, prepared by the Northern Virginia Planning and Economic Development Commission.

Q. Now, in connection with the so-called minor areas that you have described, that surround the Occoquan-Woodbridge Sanitary District, and the Dumfries-Triangle
page 126] Sanitary District, what did you understand was encompassed in those minor areas?

A. You are referring to Occoquan, my so-called Item A, Occoquan-Woodbridge?

Q. Yes, sir.

A. The boundaries of the Occoquan-Woodbridge Sanitary District, plus some surrounding areas. I can't draw you a line around the surrounding areas. I took that information from a report, by its engineers for the Occoquan-Woodbridge Sanitary District at what their population estimates were for that area, the Sanitary District and surrounding areas.

Q. You don't know how much — you are not prepared to say what geographic area this surrounding area covers?

A. I don't believe that appeared in their report.

Q. Then, next, in arriving at your figures for the yearly average million gallons per day, did you — what rate of consumption did you take into account?

A. What do you mean "what rate of con-
page 127] sumption?"

Q. By the individuals involved or the families. Did you use any rate of consumption per capita?

A. You can see that when you read the exhibit. The first item under "Water Supply Requirements" is "Yearly average *god.*" Now, to an old forty years of experience waterworks man, that means "gallons per capita per day."

Q. The per capita did not appear on here. That's why I asked you the question.

A. I'm sorry.

Commissioner Catterall: Where did you get that figure of one hundred per day?

A. That was taking into account the studies I made, and the estimates and analyses I have made, to the best of my ability, of the requirements and actual requirements in the area; and, in my opinion, that is the proper figure or very close to it to use for 1960.

Commissioner Catterall: You didn't look at the Department of Agriculture statement?

page 128] A. Well, I have, but we find there are many different situations as there are cities almost; there are a lot of variations. There might be an overall Countrywide average of a hundred or a hundred and twenty or eighty-five, but we find there is a great deal of variation in individual statements.

Commissioner Catterall: I was struck by a hundred and nineteen in 1980. That looks as if you have done it very minutely, and I was wondering how you did it.

A. Well, we did that on a very conservative basis. We want to be conservative in these estimates. We have made a number of analyses which indicate that the general increase in per capita use of water is at the rate of about one gallon per capita per year, and over a ten year period it will be ten gallons per capita higher. For this first ten year period I have extended this from a hundred to a hundred and ten. Now, thereafter, to be conservative, I taper that off, and

that's why I went to nine, and then eight, and
page 129] then six, and then four additional, as I did in the future years.

Commissioner Catterall: What is the per capita consumption today of the City of Richmond, or any city; do you happen to know that?

A. Well, Chicago is about two hundred, I think. I would have to look that up, Judge to really tell you what that is.

Commissioner Catterall: You mean to say that the difference between Fairfax County and Chicago would be two to one?

A. It's about that, but that includes a lot of industrial use. There are a great many factors that enter into per capita water requirements, and I don't know whether you would be interested to have some of these, as a matter of fact.

Commissioner Catterall: I am just trying to figure out how you got this.

A. What we do is that, generally, we take records of production, and we divide it by the number of people, and then the result is gallons per capita per day, and we see what that runs.

page 130] Commissioner Catterall: I withdraw that question, because I am taking up too much time. Go ahead.

Mr. Farley:

Q. Now, what variation, if any, did you find in the per capita consumption in, say, the Alexandria area as distinguished from Fairfax County?

A. We have no way of getting at that directly. If I were to estimate that, I would estimate a higher per capita, I believe, in Alexandria than I would in Fairfax County because there are more industries there, and there are probably more leakage there, and it's an older system, and probably there is more concentrated commercial uses. I would expect that there would be a greater per capita use in Alexandria than there would be in Fairfax County, but I have not gone into the adjustment here because the overall results would not materially affect my conclusions.

page 131] Q. Turning again to Exhibit No. 2, did I understand that, in arriving at your yield figures, you took into account the height of the present dam on the Occoquan at a hundred and twenty feet?

A. Well, yes, that's right.

Q. And that is the figure you used in working up these yield studies?

A. That is the figure I used in getting at the approximate yield of sixty-five million gallons per day. I did that years ago for a hundred and twenty; but this diagram shows for various yields the time at which the year will be exceeded by the demands, and it shows for fifty million gallons per day, sixty-five and seventy-five. I am not prepared to say exactly what that yield is, but, in my opinion, the sixty-five mgd is reasonable.

Q. And in arriving at these yield figures, what I want to get at is that you have not taken into consideration anything for the extension of that dam or the ultimate development of the Occoquan Watershed?

page 132] A. The seventy-five millions per day corresponds to a dam five feet higher, and it, again, is an approximation. I think my best information on that, because I have not figured it myself, comes from testimony of company witnesses in various proceedings.

Q. You are not familiar from any independent check in preparing this exhibit to determine what the ultimate development of the Occoquan Watershed would yield, are you?

A. Yes. My fairly rough analysis of the yield for dams of various heights checks very closely with this yield of sixty-five million gallons per day for a dam at its present height; perhaps, seventy-five million gallons per day for a dam five feet higher. At one time I estimated —

Q. I'm not talking about the size of the dam. I'm talking about the ultimate development of the watershed.

A. May I tell you about that?

Q. Yes.

page 133] A. The ultimate development of the watershed, of course, is a very — it's a great big thing. I believe, if my memory serves me correctly, that I had even approximated the safe yield for a dam up to elevation a hundred and fifty, which would be thirty feet higher than the present dam. I am not prepared to say whether that would be feasible or practicable. I would be prepared to say that we would point out an awful lot of area in flat grounds or way upstream if we ever tried to develop it in those places; but I'm not prepared to say —

Q. Mr. Niles, getting down to the heart of the problem, in arriving at this yield figure, as I understood from your testi-

mony on direct examination, you took this from another figure that you had heard from company witnesses or from others in connection with the Occoquan; isn't that right?

A. Well, I think I did say that I had been guided by testimony which reinforced my own conclusions on my fairly rough estimates of the yields, so that this is a combination figure; this sixty-five, which is shown here, in my opinion, is a pretty sound figure. The one I arrived at, and apparently checked by your own engineers as being very

page 134] close — we — well, I don't know why we have to talk about it.

Q. You understand that the Fairfax County Water Authority does not have an independent source of supply today?

A. That's right.

Q. They depend for their source of supply either on wells or the purchase of water from The Alexandria Water Company or from Dale Collier; isn't that correct?

A. That's correct; that's through Falls Church.

Q. Do you know what percentage of their total water they purchase from The Alexandria Water Company?

A. I don't have that figure with me.

Q. Do you know what percentage of water they purchase from Dale Collier?

A. They purchase substantially all of the water for the westerly system, and for the Annandale system. They purchase very little water from the water company for the Annandale system. I believe there are still some wells

page 135] in Pimmit Hills that are in use for a portion of that westerly system; and, as far as the Mount Vernon portion of the area is concerned, a very substantial amount of the water used there is purchased from the Company, an increasing percentage of it over the years.

Q. In connection with the proposed certificated area, the Water Authority would have to purchase water from either Dale Collier or from The Alexandria Water Company to serve that area, would they not?

A. Initially, they would have to purchase the water from somebody, but that is the initial service.

Q. Is there any limit on the amount of water that the County or the Water Authority could purchase from Dale Collier?

A. Yes. We believe that that limit will be approached in the not too distant future, and that an independent supply

will be necessary.

Q. Isn't it also a fact that in connection with the present connection between the Water Authority and Dale
page 136] Collier, that those facilities of the Water Authority are being used to their ultimate; they are not capable of taking any more water through the present facilities?

A. No, Sir, that is not the case.

Q. That is not the case. What do you understand is the size of the mains that the Water Authority has in the vicinity of the certificated area sought in this proceeding?

A. I believe the closest main is twelve inches, if I am not mistaken.

Q. And how far is that from the certificated area sought?

A. It looks about two inches on that.

Q. Do you know the distance?

A. No, I couldn't tell you that.

Q. Are you familiar with the size of the main owned by The Alexandria Water Company which is adjacent to the proposed certificated area?

A. I believe that is thirty-six inches, but I'm not sure.

Q. Have you made any investigation or com-
page 137] parison to see whether or not service could actually be extended from the present facilities of the Fairfax County Water Authority to the proposed certificated area?

A. I'm not sure I understand your question.

Q. Have you made any independent check to ascertain whether or not a service could be extended to the proposed certificated area through the present facilities of the Fairfax County Water Authority?

A. I have made no detailed studies of that.

Q. Have you made any studies to ascertain just how much water is being used through the present facilities of the Fairfax County Water Authority in the vicinity of the certificated area?

A. I have made no detailed studies of that.

Q. You do not dispute the fact that with The Alexandria Water Company's thirty-six main, adjacent to
page 138] the proposed certificated area, that the Company is in a position to supply water to the proposed area sought here, do you?

A. I maintain that the size of the main has nothing to do with how much water you have.

Thomas M. Niles

Q. You don't dispute the fact that through that particular facility they could supply this area?

A. For the present, yes.

Q. Now, the blue lines that you showed on Exhibit No. 4 as being an ultimate source of supply that the Authority would have to develop from Dale Collier, what is your estimate of the time in which that will be done?

A. I correct your question that it was not from Dale Collier; it was from an independent source, on the Potomac.

Q. I beg your pardon — from an independent source on the Potomac.

A. My estimate of the time was that it would be within approximately five years, if the development goes
page 139] at the rates we had forecast. I might say that we were quite conservative in our forecasts of growths, and it may well be that, if the development occurs in the areas faster than our relatively conservative projections, that that independent source development might have to be made earlier.

Q. Isn't it true that that independent source development on the Potomac River would be involved in the present study being conducted by the twelve engineers on the Potomac River?

A. It would be involved, but the development couldn't wait for the outcome of that. The corps of engineers, I believe, have completed their studies. There are some studies, check studies, being made as to whether that plan or some other plans would be best. As I testified in my qualifying statements, a board of engineers, employed by the Metropolitan Area Council of Governments, is about to start a study of the integration on all of the water supply needs, and how they may best be met in the future; but I am absolutely certain that no matter who does the studies or
page 140] when, that the major source of supply for the Metropolitan Area is going to be the Potomac River, that when the Water Authority needs more water, they will go to the Potomac and get that additional water, certainly for the near future requirements.

Q. All of that is involved in this comprehensive study by the corps of engineers of the Potomac River, and that study has not been completed?

A. I'm not sure I know what study you are talking about. We have about eight or nine volumes of corps of engineers'

report on the development of the Potomac. If they are now starting another study, I don't have the results of that.

Q. But wasn't there a recent study released by the corps?

A. Yes.

Q. And that involved a comprehensive use of water from the Potomac?

A. It involved development of the Potomac River to meet various water supply requirements, of which water supply was one, a low flow augmentation for study purposes was another, irrigation was another, recreational use page 141] was another. I don't remember that that report attempted, in any way, to say what the sources of water in the Metropolitan Area should be used to supply what areas.

Commissioner Hooker: How many more questions do you have of this witness? I think we had better recess.

Mr. Farley: Just a couple.

A. So far as I recall, the report didn't go into that, that detail, as to who would get water served.

Q. You indicated that public ownership of water systems in this area would be the most desirable, and you indicated some of the reasons why that would be true. Isn't it a fact that at the present time the service being supplied by The Alexandria Water Company is cheaper than the service being supplied by the Authority?

A. Yes.

Q. Isn't it also true that there is no regulation of the activities of the Authority except through their Board, appointed by the Governing Body of Fairfax County?

page 142] A. I believe that's so.

Mr. Farley: That's all.

Mr. Bauknight: May I ask a few questions.

Commissioner Hooker: 12:45 P. M. Well, we will recess until 2:00 o'clock. You will have to come back then.

2:00 P. M. Commission resumes its session.

Mr. Riely: May it please the Commission, my partner, Mr. Farley, had another hearing scheduled for this afternoon, and not realizing Mr. Bauknight's verbosity, I hope that he may be excused.

Thomas M. Niles

Commissioner Hooker: If there is no objection, he may be excused.

Mr. Bauknight: We will even excuse Mr. Riely.

REDIRECT EXAMINATION

page 143] Q. Mr. Niles, referring to your exhibits, counsel, on cross examination, asked you questions regarding the source of your population estimate figures. Would you clarify for the Commission the method you used to come to your opinion as to these figures on population?

A. Yes. I believe I was in error when I stated that the details of the figures that I finally used for Fairfax County areas were from the Northern Virginia Planning Commission studies. Although I referred to those studies and took them into account, the details of the figures I used came from the Fairfax County Planning Division, Master Plan Section.

Q. Is it correct that, although you used the figures of other agencies, that these figures which you gave are your own opinions, based on your studies?

A. Yes, they are, based on my own independent studies, as well as reference to the other studies.

page 144] Q. With reference to the figures on your exhibit under "Yield of the Occoquan Source," you testified that you used the figures from the testimony of the company officials in prior cases; is that correct?

A. Yes, Sir.

Q. Would you tell the Commission specifically what prior case you were referring to in making that statement?

A. Yes, Sir.

Q. Would you tell the Commission the style and the number of the proceeding to which you refer?

A. "Official Reporter's Minutes

VIRGINIA: Before the State Corporation Commission, Case No. 15722;" dates taken June 12 and 13, 1962.

Is that sufficient?

Q. Now, whose testimony are you referring to?

A. I am referring to testimony of Mr. E. H. Aldrich.

Q. Do you know who Mr. E. H. Aldrich is?

A. Yes.

Thomas M. Niles

Q. Who is he?

page 145] A. Well, he is, at least a past vice president, and I believe the present consultant of The American Waterworks Company.

Q. Is not The American Waterworks Company the parent company of The Alexandria Water Company?

A. Yes.

Q. On what page of that transcript is the pertinent testimony of Mr. Aldrich contained?

A. On pages 148 and 149.

Q. Would you state what Mr. Aldrich therein said as to the yield of the Occoquan source? First, the date of the hearing, if you will.

A. June 12 and 13, 1962.

Q. Would you read the pertinent portion of Mr. Aldrich's testimony?

A. "Recent studies using up-to-date maps have —"

I had better start a little ahead of that.

Q. All right.

A. I will read the entire paragraph.

Q. Read the question.

page 146] A. Read the question?

Q. How far back is the question?

A. Well, the question was:

"Will you briefly describe the principal elements of the water system?"

Q. Now, the portion of the answer dealing with —

A. And the portion of that answer is as follows:

"The safe, dependable yield of the Occoquan supply, as presently developed, is sufficient (blank) the estimated needs of the system beyond the year 2000." (And the blank being the thing that doesn't appear in here.) "Recent studies using up-to-date maps have indicated it to be approximately 63.5 million gallons daily. In addition, the dam was so designed as to raise the water five feet at some future date. This will increase the storage three billion gallons and

page 147] the safe yield to approximately seventy-seven million gallons daily."

Mr. Bauknight: That being a part of the record and official files of the Commission, I don't think it necessary to introduce it.

Commissioner Hooker: No. We will take judicial notice of it.

Thomas M. Niles

A. May I refer to the testimony of another witness in the same Minutes?

Q. What page?

A. Page 188, Mr. Bradlee testified as follows, in answer to question:

"Q. What is your estimate of the safe yield of the Company's Occoquan Creek supply?

"A. Our estimate of the safe, dependable yield of this source of supply, as presently developed with the crest of the dam at an elevation of one hundred and twenty feet, is sixty-two million gallons daily. With planned
page 148] installation of crest gates on the dam, which will raise the maximum usable water level of reservoir surface to an elevation of one hundred and twenty-five feet, we estimate the safe yield to be seventy-five million gallons daily."

Q. Who is Mr. Bradlee, Mr. Niles? Does it appear there?

A. I don't know.

Mr. Riely: Mr. Bradlee, at that time, was an employee of Ford, Bacon and Davis, an engineering firm, which I know Mr. Niles is well acquainted with. At that time he was employed by the Company to make certain studies on its behalf. I am sure I participated in that case, but I have forgotten what it was all about.

Mr. Bauknight: You would not like me to remind you?

Mr. Riely: I was kidding.

Mr. Bauknight: I will see you after the hearing.

page 149] A. Well, I should know Mr. Bradlee. He's a good engineer, and I have heard of him, but I just couldn't place him.

Mr. Bauknight: I wanted to identify him; and Mr. Riely is correct, that he was with Ford, Bacon and Davis.

Q. Mr. Niles, going back to your exhibit —

Commissioner Hooker: Did you get in the record the case number of that case?

Mr. Bauknight: Yes, Sir.

Mr. Riely: Case No. 15722.

Mr. Bauknight:

Q. Now, Mr. Niles, referring to the table at the bottom of your exhibit on population projections and water requirements, Exhibit No. 2, if you leave all of Prince William County out, and don't consider the Sanitary Districts or any other areas at all, but only consider the requirements of the City of Alexandria and the requirements of the presently certificated areas in Fairfax County, including the areas

page 150] under which the Company is obligated by contract to serve water to the Authority in the Mount Vernon area, when would the demand get to the point where it would exceed the supply of Occoquan River?

A. That's exactly the situation to which I testified before. A sixty-five million gallons per day yield, and that amount would be reached, according to this estimate, in 1988, and that a seventy-five million gallons per day yield, that date would be put off perhaps eight years or so until 1996.

Q. And this does not include anything in Prince William County?

A. Not a drop in Prince William County.

Q. Let me ask this. Does it include any part of the area which the Company seeks in this proceeding?

A. No.

Q. Now, if you added to your figures the area which the Company seeks in this proceeding, what would be the effect of this on the relationship of the demand and the supply?

page 151] A. That would advance the date by which the deficiency becomes apparent.

Q. If you added the Sanitary Districts only, the Sanitary Districts in Prince William, that is, the Occoquan-Woodbridge District and the Dumfries-Triangle District, which the Company is obligated to serve by contract, what would be the effect of doing that?

A. That would advance the date, I believe, substantially.

Q. Mr. Niles, I am somewhat confused about your answer to Mr. Farley's question about the use of the thirty-six inch Company mains to serve this area. Will you clarify that for me?

A. Yes. It is my recollection that I have made an answer referring to the proposed additional area generally, in which I said it would be convenient to serve the area from the existing thirty-six inch main of the Water Company. I think it is apparent, from a look at the map, that that thirty-six

inch main closely parallels the easterly boundary
page 152] of the area in question. As a matter of fact, however, the areas proposed for imminent development, at the extreme north end of this system, are closer to and, in my opinion, more logically served from the Authority's system.

Q. Is Exhibit No. 5 the map which shows the Company's main and the Authority's main the map to which you refer?

A. That's correct.

Mr. Bauknight: I have no further questions.

Mr. Riely: Mr. Farley is unable to be here. May I ask him a few questions?

Mr. Bauknight: I have no objection to Mr. Riely's injecting himself at this late stage in the proceeding.

RE-CROSS EXAMINATION

By Mr. Riely:

Q. You stated, in answer to Mr. Bauknight, as I understood it, that if the additional area were added to the Fairfax County area, and served by The Alexandria Water Company, it would advance the time when your two lines cross; isn't that correct?

page 153] A. That's correct. It would come at an earlier date than indicated. That's what I mean by advance. It would get here sooner —

Q. How many years?

A. Not many years.

Q. Not many years. Have you made any investigation as to the adequacy of the Potomac in the present state of its development to meet the demands for water service that are and will be placed upon it — in the present state of its development, and I mean without any additional high rise dams or anything of that sort?

A. Yes.

Q. How long will the Potomac, in its present state of development, meet the demands that will be placed upon it, in your opinion?

A. I haven't gone into it in that much detail, but I would say within the foreseeable future something will have to be done to develop more water supply from the Potomac than is now available.

page 154] Mr. Riely: Thank you, Mr. Niles. I have no further questions.

Commissioner Hooker: Mr. Elliott, excuse me.

Mr. Elliott: I have no questions.

Commissioner Hooker: Stand aside.

Witness stood aside.

page 155] Mr. Bauknight: Mr. Corbalis.

JAMES J. CORBALIS, JR.,

a witness introduced on behalf of Interveners, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Will you state your name and address, please?

A. James J. Corbalis, Jr., 1122 Rowan Lane, Alexandria, Virginia.

Q. What is your position, Mr. Corbalis?

A. I am presently Engineer and Director of the Fairfax County Water Authority.

Q. And you are a registered engineer, are you not?

A. Yes, Sir.

Q. And will you tell the Commission briefly your education and background?

Commissioner Hooker: We have heard this.

Mr. Bauknight: I would like the record to show it.

A. I will keep it short.

page 156] Commissioner Catterall: Haven't you got it written down so you can read it?

A. No. I am a graduate civil engineer, having obtained this degree in 1940. I am a registered professional engineer in the State of Virginia. I have directed water and/or sewage programs in the City of Alexandria and the County of Fairfax for the past twenty-four years. I am a member of the Water Resources Committee appointed by the Governor of Virginia for the Commonwealth of Virginia. I am Chairman of the Regional Sanitary Advisory Board of the Metropolitan Wash-

ington Council of Governments, Chairman of its Water Supply Committeee on Future Water Supply Problems for the area. I am a member of the American Academy of Sanitary Engineers.

Mr. Bauknight: Is there any question of Mr. Corbalis' qualification.

Q. Mr. Corbalis, how long have you been the Engineer and Director of Fairfax County Water Authority?
A. Since September, 1958.
Q. When was the Authority organized?
page 157] A. September, 1957.
Q. And you have been continuously Engineer and Director since that time?
A. Yes.
Q. And as Engineer-Director, have you been in full charge of all of the Authority's activities?
A. Yes.
Q. Let me ask you if the Authority's Articles of Incorporation have been amended since its inception?
A. They have.
Q. I show you Articles of Amendment of the Articles of Incorporation in the Corporate Files, Commission's File No. 78844, which were admitted to record in the Commission April 14, 1959, and direct your attention to paragraph 3 of that Amendment, and ask you to point out the change made in the Authority's Charter by that Amendment.

Mr. Riely: May it be understood that my continuous objection to the relevancy exists?
Commissioner Catterall: You mean the mate-
page 158] riality of it?
Mr. Riely: I will put it on both grounds if Your Honors will permit me.
Commissioner Hooker: Material and immaterial.

A. The Amended Charter now provides:
"The purposes for which said Authority is created by the acquisition, construction, operation and maintenance of water systems, sewer systems and sewage disposal systems located within Fairfax County or partly within and partly without the County."

Q. With regard to paragraph three, what is that?
A. Did I give you the wrong one?
Q. The one dealing with duplications.
A. Paragraph three reads:

"No other Authority has been created under the provisions of said Act serving the whole or any part of the same area and none of the powers granted by said Act shall page 159] be exercised by the Authority in the construction, improvements, maintenance, extensions or operations of any project or projects which in whole or in part shall duplicate existing utilities, public or private, serving substantially the same purposes and areas."

Q. Now, with regard to the latter section that you have read, does that constitute a change from the prior language?
A. Yes, Sir.
Q. Do you recall the prior language?
A. Not in its exact form.

Commissioner Catterall: Let Mr. Riely read it.
Mr. Riely: I'll let you read it.
Mr. Bauknight: All right, I'll read it. It is the original Articles of Incorporation of the Authority, admitted September 26, 1957, admitted to record, and I quote:

"No other Authority has been created under the provisions of said Act serving the total or any part page 160] of the same area and none of the powers granted by said Act shall be exercised by the Authority in the construction, improvement, maintenance, extension or operation of any project or projects which in whole or in part shall duplicate or compete with existing utilities, public or private, serving substantially the same purposes."

Mr. Corbalis, you will note that the change is the removal of the limitation on competing with. Do you recall the circumstances under which this Amendment was put into effect with regard to legislation?
A. It was the change in the Enabling Act legislation.
Q. You mean the Amendment follows the legislation word for word, doesn't it?
A. Yes.
Q. Now, Mr. Corbalis, going back to the inception of the Authority, will you trace the steps that have been page 161] taken to accomplish the program which is set forth in the Articles of Incorporation, using such maps

as you may want to put into evidence.

A. I think it can be done most readily and most briefly by reference to the maps, which show the service area as of September, 1957, the map just ahead of the one that is on the board.

Q. Do you have one map for 1957 and a later map for 1965 of the same things and you can compare them?

A. Yes, comparable maps.

Q. Mr. Corbalis, this map that is now displayed on the easel in headed "Existing Water Systems September, 1957," and is that the map to which you referred?

A. Yes, Sir.

Q. And the date "1962" on here has no relevancy?

A. No.

Mr. Bauknight: I believe this will be Exhibit No. 6.

Commissioner Hooker: It will be Exhibit No. 6.

page 162] Mr. Bauknight:

Q. Referring to Exhibit No. 6, will you explain to the Commission the water situation as it existed in Fairfax County in September, of 1957?

A. There were at that time twenty-six public and privately owned systems in being. Since that date, up to the current time, the Authority has acquired fourteen of the privately owned systems and one of the publicly owned systems, and some of the other privately owned systems have acquired property, in fact two. This reduces the total number of water systems from twenty-six to ten, with the Authority being the largest publicly owned system now serving in the County, serving approximately eighteen thousand customers.

In 1957, and prior thereto, there were serious inadequacies on the part of all of the companies, both public and private, then operating in the County; inadequacy with respect to little or no fire protection service, inadequate pressures, inadequate supplies, non-uniformities of rates, non-
page 163] uniformities of physical facilities, no interconnections of any consequence.

Since the acquisition of the property which the Authority has acquired, there have been tremendous improvements to remove these statistics, and, as of now, I would say that the Authority's system compares very favorably with the standards that should be expected of a publicly owned water system.

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Q. In addition to the acquisition of the private companies, has the Authority done anything with regard to the municipal systems, the city and town systems that exist?

A. Yes. At that time in 1957, and, of course, for some time thereafter, the various cities and towns were serving areas in Fairfax County, and there came a time of competition and duplication, hostile duplication of facilities between the two publicly owned systems, cities and towns on one hand, and the Authority on the other hand. During the period of time we have been successful in completing agreements and concluding agreements with the City of Falls Church,
page 164] the City of Fairfax, and the Town of Vienna, which are the principal other publicly owned systems, to define the service area, to provide for interconnections of service, to remove the competition factor, and, most important, to provide for them and for ourselves a proper basis of planning for the provision of water service in the respective communities, both now and in the future.

Q. Do you have the agreements with Falls Church, Vienna, and the City of Fairfax with you?

A. Yes, Sir.

Q. Would you like to identify those?

Commissioner Hooker: It will be received as Exhibit No. 7.

A. The first agreement to be concluded was with the City of Falls Church on May 21, 1959.

Q. Does this agreement define its service boundaries?

A. Yes, it does, as shown on Exhibit No. 5, which is the last map on the bottom.

page 165] Q. The green one?

A. Yes.

Q. Referring now to Exhibit No. 5, does Exhibit No. 7, the Falls Church agreement, define service boundaries that Falls Church has agreed it will not serve in the outside of the service area, and the Authority agrees it will not serve within the service area, except in instances where the public is best served, and both parties agree?

A. Yes.

Q. And the green area is the Falls Church one?

A. That's right.

Q. Now, the next agreement is with the Town of Vienna?

A. Yes, Sir, on March 1, 1965.

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Commissioner Hooker: That will be received as Exhibit No. 8.

Mr. Bauknight:

Q. With reference to the Vienna agreement, does the purple area show the agreed service boundaries for the

page 166] Town of Vienna?

A. Yes, Sir.

Q. And that is shown on Exhibit No. 5?

A. Yes.

Q. In that agreement the Town will not serve outside the purple area, and the Authority will not serve inside, except in individual instances where the public may benefit, and they both agree.

A. That is correct.

Q. And the next one is the City of Fairfax?

A. Yes, Sir, on April 6, 1965.

Commissioner Hooker: That will be received as Exhibit No. 9.

Mr. Bauknight:

Q. With regard to the City of Fairfax agreement, does the brown area designated No. 2 indicate the service area of the City of Fairfax?

A. Yes, Sir.

Q. And the same provisions with regard to service and to exceptions thereto by agreement of parties?

page 167] A. Yes, Sir.

Q. Now, in each of these agreements, is there provided a method of each party making his water available to the other party?

A. Yes, Sir.

Q. At various points on the system?

A. Yes, Sir.

Q. With particular reference to the City of Fairfax, would you tell the Commission the benefits to the Authority and to the City from the interrelation, interconnecting of the supply?

A. The City of Fairfax has an independent supply obtained from Goose Creek in Loudoun County, running in an easterly direction from Goose Creek to the City. The Authority has a supply running in a westerly direction, beginning at the corner of the District of Columbia and the Potomac River

near Langley to the Dulles International Airport. These major transmission mains, running in opposite directions, are crossed and parallel in several instances. Arrangements were made via this agreement for each party to page 168] take water from the other party, not only in cases of emergency, but in case of continuing need, if such need should exist, and at cost.

Q. Now, the map, Exhibit No. 5, depicts the present water service situation in Fairfax County; is that correct?

A. Present and future with regard to the areas shown in yellow.

Q. Yes; but, as far as the existing systems go, other than the Authority's, depicts the present service area?

A. Yes.

Q. And the municipalities involved, with the exception of Herndon, are limited by agreement from expanding further into the County?

A. Yes.

Q. With regard to Herndon, is Herndon's supply or system of significance in this overall picture?

A. No, Sir. It is obtained primarily from wells within the town, supplemented, as needed, by water pur- page 169] chased from the City of Fairfax, but no service is rendered outside of the Town, and not expected to be rendered outside for some years in the future.

Q. Now, this map depicts, does it not, the absence of the many private water companies which served the area in 1957?

A. Yes.

Q. And this was accomplished by the Authority acquiring these companies by purchase?

A. Yes.

Q. In any of those instances were those companies operating substandard systems that were not properly serving the public?

A. I think they were, in all instances, rendering substandard service.

Q. Has the Authority improved the service in these systems it has taken over?

A. Yes.

Q. Were any of these systems contiguous to or near The Alexandria Water Company's then certificated area?

page 170] A. Yes; not only contiguous to, but, in some cases, surrounded by.

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Q. Were any of them served by The Alexandria Water Company water?

A. Yes.

Q. Specifically, was not the Annandale Water Company served by The Alexandria Water Company?

A. Yes.

Q. As far as you know, were any of these substandard private companies—I mean, public service companies purchased by The Alexandria Water Company?

A. One.

Q. Which one was that?

A. Wilton Ridge Water Company, serving perhaps twenty-five or thirty customers.

Q. Do you know whether the Annandale Water Company was available for purchase by The Alexandria Water Company?

A. Yes, Sir; in fact, there was a contract to purchase.

Q. It was not consummated?

page 171] A. Correct.

Q. Was the Annandale Water Company one of these substandard companies?

A. Yes, Sir.

Commissioner Hooker: The Commission could testify to that.

Mr. Bauknight:

Q. Mr. Corbalis, I believe you heard Mr. Steinberg and Mr. Kirstein—you heard them testify that the profits motive was what motivated them to seek service from the Company; is that correct?

A. Yes.

Q. Now, Mr. Corbalis, if the Authority were to furnish service to Mr. Steinberg and Mr. Kirstein, what would be the policy on their building lines and contributing them to the Authority?

A. They would be expected to install the mains within the subdivisions, and to convey them to the Authority without cost.

Q. Under the Company's policy, as they testified, they will be reimbursed about two hundred and fifty dol-

page 172] lars per house?

A. Yes.

Q. And they testified that this would lower the cost of the house to the purchaser?

A. Yes.

Q. Do you know whether or not the purchaser would ultimately save that two hundred and fifty dollars, the home purchaser?

A. In my opinion, he would not.

Q. And why is that?

A. Because it is out of the payments of his water service charges for use of the water that the reimbursement is made to the developer, so that he is, in effect, making his own reimbursement to the developer; not only he, but any other customer of the Company, whether he live in Delray in Alexandria, or Franconia in Fairfax, would be contributing their part toward the reimbursement of that cost.

Q. Now, if you had a developer who didn't decrease the cost of the house by the two hundred and fifty dollars, but let the price stay the same and made more profit,

page 173] what would be the effect on the purchaser of the house?

Q. The purchaser would, in that instance, be paying twice for the same facility.

Q. Do you feel that the Authority's policy of requiring the contribution of these mains within the developer's tract is a sound public policy?

A. Yes, Sir. It's universally accepted practice, all over this Country. The only place there is an exception is a private utility where it is used to make a rate base on which to earn a rate of return.

Q. Now, referring to the Steinberg tract, did the Authority have any discussions or any negotiations with Mr. Steinberg regarding water service to this particular tract?

A. Yes, Sir. Mr. Steinberg came to the Authority sometime in the month of January, 1965, and inquired about the availability of service to the tract; and on February 4, 1965, Mr. Steinberg wrote and asked the Authority for a

page 174] proposal to provide service to that tract.

Q. Was the Authority's reply to the effect that it would be able to serve this tract when he needed service?

A. Yes, Sir. We told Mr. Steinberg that we were then in the process of arranging a refinancing program, upon completion of which we had no hesitancy in being able to serve him when he needed it; and he expressed his needs as sometime in the latter part of 1965, if that early; and we assured

him there would be no problem in providing him with the service by that date.

Commissioner Catterall: Didn't Mr. Niles say it would take five years?

A. I think he was speaking of the supply, a new supply system. This is merely to serve one tract of land.

Mr. Bauknight: I think he was speaking of the new source of supply from the Potomac.

Commissioner Catterall: I misunderstood. I thought he said it would take five years to get down into that new area.

page 175] Mr. Bauknight: Well, we will clarify that right now.

Commissioner Catterall: No; if I misunderstod it, that is not necessary.

Mr. Bauknight:

Q. Mr. Corbalis, with regard to the Richmarr tract, Kings Park West, Mr. Kirstein, did you have any indication that Mr. Kirstein would need water from the Authority?

A. Yes, we have two indications, one from his engineer by way of a request for information as to the location of our nearest main, and the feasibility of extending the main to his property; and secondly, by the brochure referred to earlier this morning, in connection with the rezoning of that property where Richmarr stated they were going to obtain the water from the Authority.

Q. This is the same brochure that I had Mr. Kirstein identify?

A. Yes, Sir.

Mr. Bauknight: I'll introduce this through a later witness.

page 176] Q. Did you respond to Mr. Kirstein's engineer regarding the availability of water?

A. I gave him all the information he requested.

Q. Now, where, in relation to the Richmarr Steinberg tracts is the Authority's nearest existing main?

A. At the point now being pointed out by Mr. Riely. It's at the end of the dotted red line at Braddock Road and approxi-

mately Guinea Road.

Q. Do you know how far that is from the Richmarr tract?

A. About eight thousand feet.

Q. And where is The Alexandria Water Company's nearest main to the Richmarr tract?

A. That is about the same distance eastwardly on or near Braddock Road.

Q. In connection with the Steinberg tract, is that same main the Authority's nearest main to that at the present time?

A. Yes.

Q. And is the Water Company's present main

page 177] its nearest main to that at the present time?

A. Yes.

Q. Which of those two mains is closer to the Steinberg tract?

A. The Water Authority main is closer.

Q. By approximately how far?

A. I would judge by three-quarters of a mile to a mile.

Q. In your work with the Authority, do you find that it is desirable and good practice to plan in the future for the Authority's facilities?

A. Yes.

Q. Had you planned to serve this particular area prior to the Company's making this application?

A. Yes.

Q. Was this a part of the overall Authority's plan for future improvements?

A. Yes.

Q. What part of that plan for future improvements would serve the area now under consideration?

A. Two mains proposed, as shown in solid red,

page 178] one extending westwardly along Braddock Road from the terminus of the existing mains to the Steinberg tract, although not shown on the map, on that particular map, westwardly from that point out through Centerville to this connection with existing mains.

The second main, also shown in solid red, would go in a southerly direction from Braddock Road through the Kirstein or Richmarr tract and southerly from that as need arose, throughout the entire area sought by the Company.

Q. Are the Authority's existing mains and the Authority's planned mains of sufficient capacity to serve this area?

A. Yes.

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Q. Does the Authority have adequate water to serve this area?

A. Yes, Sir.

Q. By this area, I mean the full development of the area?

A. Yes, Sir.

Q. Was this area specifically included in the
page 179] studies which you made and I presume Mr. Niles made incident to the recent financing of eighteen million dollars in bonds of the Authority?

A. Yes, the area was included.

Q. Were these improvements to serve the area specifically included in this improvement program which those bonds were sold to furnish?

A. They were specifically included, yes, Sir.

Q. Do you have anything to show this program?

A. By reference to the engineering report previously introduced — I have forgotten the exhibit number — there is a table, Table No. 7, appearing on page 35 which indicates the capital improvement program over the next fifteen years, exclusive of the new source of supply which is treated separately in the engineering report.

The figures shown in the second column headed "Project Costs" relate to extensions of mains primarily throughout areas not now served, but to be served as needs
page 180] arise.

The detailed information not appearing in the report is in a separate document headed "1965-75 Capital Improvement Program;" and in this document the two mains about which I have testified are specifically identified by description and by amounts of money required to provide it.

Q. This capital improvement program, dated March 11, 1965, I would like to —

Commissioner Hooker: That will be received as Exhibit No. 10.

A. As shown on page four of that document. The pages, unfortunately, are not numbered. For the year 1965, the item about midway in the list, shown as "Braddock Road" totalling one hundred thousand, eight hundred dollars is the line from Guinea Road west to the Steinberg property.

For the year 1967, at the bottom of the page, the first item headed "Guinea Road," an estimated cost of eighty thousand,

six hundred and forty dollars is the line from Braddock Road south to the Richmarr property, placed in the 1967 year for the reason that earlier testimony was that the
page 181] builders did not expect the need to arise until that date.

Commissioner Hooker: What is the size of this territory?
Mr. Bauknight: Nineteen square miles.

Q. Is that correct?
A. Yes, Sir.

Mr. Riely: The size of what tract?
A. The one being sought.
Commissioner Catterall: How big is nineteen square miles?
A. It's larger than the City of Alexandria, and about three quarters of the size of the County of Arlington.

Mr. Bauknight:
Q. Now, Mr. Corbalis, in your studies and in your projections for your capital improvement program for the bond issue, did you include estimated revenues from this area which is now sought by the Company?
A. Yes.
Q. What would be the effect on your program
page 182] for the Commission to grant this territory to the Company insofar as it affects the feasibility of the Braddock Road line?
A. With respect to that line alone, as earlier testified, it is intended to extend that line in a westerly direction as necessary to meet the demands of the area south and west of the City of Fairfax.
Q. Now, let me get the right map here. Refer now to Exhibit No. 4 in your testimony, if you would.
A. As shown in Exhibit No. 4, the initial construction is the dotted red line from Guinea Road along Braddock Road to the Steinberg property and at the junction of the solid blue line, that would then be extended westerly south of the City of Fairfax and north, and then east again, in connection with the existing facilities. This would provide service to the areas south and east of the City of Fairfax. If the area now sought by the Company were to be granted, this water main would still have to be constructed, and we would be de-
page 183] prived of the revenues and the ability, first of all,

to render service from that line, and, therefore, the revenues from the customers.

Q. Where would the line have to be constructed if you are not going to serve this area, bearing in mind you are not going to serve in here because of the agreement with the City of Fairfax? In other words, you can't serve north of the Braddock Road line because of the agreement with Fairfax; you couldn't serve south; why would you need the Braddock Road line?

A. Because the responsibility is still existing to serve the areas west of those two.

Q. Do you know if there is any plan, any plan by any other company or agency to serve the area west here?

A. No, Sir.

Q. And there is a demand for service?

A. Yes, Sir.

Q. Where is this demand for service?

A. The demand exists immediately west of the area sought by the Company at and along Braddock Road,
page 184] and as far west as Centreville.

Q. Are you going to go ahead and serve the area in Centreville and the area west at this time?

A. Yes, Sir. The area to be served at Centreville is — the main is now under construction.

Commissioner Hooker: That's in Prince William County, isn't it?

A. No, Sir. It's in Fairfax, near the line.

Commissioner Hooker: I knew it was pretty close.

Mr. Bauknight:

Q. Getting back to the Steinberg and Richmarr area now sought, did you have any other requests or inquiries for service in this particular area, except from Richmarr and Steinberg?

A. Not prior to the time of the refinancing program. Subsequent to that, we have had two requests, two of the same that testified this morning, namely, the Williams tract, the J. D. Williams tract, which I think was sixty-eight
page 185] acres; and Berkley Park, which is owned by the Fairfax County Park Authority.

Q. Is the Authority now in a position to serve the Richmarr

and Steinberg tracts, in accordance with their plans of development?

A. Yes, Sir. We are ready any time they are.

Q. As developments proceed in other areas of this particular area sought, will the Authority be in a position to serve them?

A. Yes, Sir.

Q. In sufficient capacity in the existing and planned mains?

A. Yes.

Q. Is there enough water available to the Authority?

A. Yes.

Commissioner Catterall: What does the solid blue line mean?

A. The solid blue line is part of the future new supply system.

Commissioner Catterall: It's not built yet?

page 186] A. It's not built yet, no. The solid red is existing, and the gashed red is planned.

Mr. Bauknight:

Q. The solid red is existing or now under contract for construction. The blue is planned?

A. No.

Q. Are these lines shown on Exhibit No. 10 which we handed up, the planned lines?

A. No, Sir.

Q. The ones up through the years shown on there are?

A. No, Sir. The map does not show the detail, where the lines will be or what size they will be, merely that that is the area in which service is to be rendered.

Q. Exhibit No. 10 shows the details of where that service is now planned to be?

A. Yes.

Q. Now, again, on the area under consideration, as to whether the Authority should serve this area rather than the Company, except for the question of a profit to

page 187] developers — a comfortable profit to the developers — would the public, the actual consumers of the water, receive any benefit now and in the future from service by the Company as opposed to service by the Authority? What would be the difference to the consumer of the two services?

A. At the present, under present rates, of both Company

and the Authority, the consumer would pay one and one-third cents a day approximately more if he were obtaining the service from the Authority. This is a typical single family residential customer, using twenty thousand gallons of water a quarter, one and one-third cents differential. However, it is our expectation, and our belief, according to all the studies which we have made, that this differential will be in reverse order in the not too distant future as the development of the County continues to grow, for the reason that we do not have the elements of taxes and elements of profits and elements of purchased capital or purchased improvements in subdivisions to contend with; and, as I stated, in the case of page 188] our operation the facilities within subdivisions are contributed to the Authority, and there is no return use to be made accordingly.

Q. Within the areas now served by the Authority and which will be served by the proposed lines, is there ample room for growth, customer growth, without substantial extension of the service?

A. Yes. We expect to be able to meet all of the needs up until, as earlier testified, about 1970, through 1970 or 1973, when a new source of supply will likely be required.

Q. Will the size of the Braddock Road main be changed any if the Company is granted this certificate?

A. No.

Q. It will have to be the same either way?

A. It is one of the major lines.

Commissioner Catterall: You figure sixty-three gallons per capita in your computation, do you not?

page 189] A. What computation, Sir?

Commissioner Catterall: You said that per quarter there would be what?

A. Twenty thousand gallons.

Commissioner Catterall: Twenty thousand gallons per quarter?

A. Yes, Sir.

Commissioner Catterall: Twenty thousand gallons in ninety days?

A. Yes.

Commissioner Cattetrall: And you have a two and a half people in a family. Wouldn't that work out to sixty-three?

A. It would if your arithmetic is correct.

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Commissioner Catterall: My arithmetic is terrible. I just wondered if there was an answer. The other witness said a hundred gallons per capita.

A. This is not all inclusive. This is only the
page 190] typical single family homeowner. When we add the commercial, and when we add the industrial, the average comes up. This is only the single family homeowner.

Commissioner Catterall: How many gallons are in the ordinary full bath tub? I am trying to figure out what we are talking about. I can't understand it otherwise.

A. Well, the hot water heater, if you are familiar with that, is usually in the order of thirty gallons. A laundry tub may have a capacity of twelve to fifteen gallons.

Commissioner Catterall: Laundry tub? That's not as big as a bath tub.

Commissioner Hooker: Under the Annandale system he was talking about a while ago, they couldn't have any bath tubs.

Mr. Bauknight:

Q. Mr. Corbalis, during your experience with the Authority, have there been any occasions for the Authority to receive expressions of public support or lack of support of its program?

page 191] A. I think we have had some of both. We have had announced public support, and little or no opposition. An example of that would be that each year we hold an advertised public hearing on the budget for the ensuing year, and after having done this seven times now, we have yet to welcome the first consumer or other interested person.

Comissioner Hooker: 3:00 P. M. The Commission will recess for five minutes.

3:05 P. M. The Commission resumes its session.

Commissioner Hooker: Proceed.

Mr. Bauknight:

Q. Mr. Corbalis, are you familiar with any studies being made about the development of the Potomac River for additional yield of water?

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A. Yes, Sir. In my capacity as Chairman of the Regional Sanitary Board of the Metropolitan Washington Council of Government, a study is to be made under our auspices.

Q. In that connection, could you say whether or not active steps are now being taken to increase the yield of the Potomac? Actual study?

page 192] A. Yes, actual studies, by both the Corps of Engineers, and more recently by the Department of the Interior under directive of the President, and the third incidence, the one of the Metropolitan Council of Government.

Q. Do you have an opinion, based on your participation in these studies, as to whether a feasible method can be worked out for increasing the yield of the Potomac River to serve these areas which it will be required to serve?

A. There is no question in my mind that it can be done, and will be done. There are a variety of methods by which it may be done; and I can't conceive, for one minute, that the Nation's Capital and environs are going to be without water so far as the impoundment of the Potomac River is concerned.

Q. Mr. Corbalis, based on your background and experience as an engineer, on these matters and your knowledge of the area under consideration, do you feel that the public interest, so far as the water supply for the area of Fair-

page 193] fax County and the City of Alexandria, and other areas depending on the Occoquan, would be best served by the granting of this certificate or by the furnishing of water to this area by the Water Authority?

Mr. Riely: If it please the Commission, I believe he qualified Mr. Corbalis as an expert engineer, but I didn't know he qualified him as an expert in the public interest.

Commissioner Hooker: We will let him answer the question, and it will go to the weight of his testimony, and not as to admissibility or inadmissibility.

Commissioner Catterall: We know what the answer is before he makes it.

Mr. Riely: I know that.

A. I think the public interest would be best served by the denial of this application.

Commissioner Catterall: Your position in this case, in past cases and in future cases, is that it would be bad for the

public interest to grant any certificate of convenience and necessity in Fairfax County?

page 194] A. With one exception, Your Honor.

Commissioner Catterall: What is the exception?

A. In those instances where the Authority may not be able to render service. Such an instance existed a year ago when the Company requested an area for certification, and we did not oppose it.

Commissioner Catterall: At the present time you are prepared to serve the entire County?

A. As the need develops, we are.

Commissioner Catterall: I want to ask you one question about the taxes. You said something about the public service is cheaper because there are no taxes?

A. Yes.

Commissioner Catterall: You do not pay taxes to the City of Alexandria?

A. We pay no taxes.

Commissioner Catterall: To the City of Alexandria?

Mr. Riely: They are not in the City of Alex-

page 195] andria, Judge.

A. We do not operate in the City, and, if we did, we would not pay any taxes.

Commissioner Catterall: So, if you got the whole of The Alexandria Water Company, the citizens of Alexandria would pay you for water, but would receive no tax?

A. No. We don't seek the portion of the Company in the City of Alexandria.

Mr. Riely: They do, however, seek the portion in the County of Prince *Williams*.

Commissioner Catterall: I thought you wanted the total Alexandria Water Company?

Mr. Bauknight: Just the portions in Fairfax and Prince William.

Commissioner Catterall: Well, how would Alexandria get any water if you didn't serve them?

Mr. Riely: We have been trying to figure that out for five years.

Mr. Bauknight: We would sell them water.

Commissioner Catterall: Well, that's what I

page 196] say. You would sell them water and fix the price, but you would not pay any tax to the inhabitants.

A. We would presume that the Company would retain the

property in the City. We would, therefore, sell to the Company, and the Company would then sell to the consumers in the City, and pay taxes.

Mr. Bauknight: And set the rate for the consumer.

Commissioner Catterall: But they would have no source of supply except what you gave them?

A. That is right.

Commissioner Catterall: And you could charge them whatever you pleased?

A. No, Sir.

Mr. Riely: Yes, Sir.

Mr. Bauknight: We have no statutory authority, no statutory limitation, that prohibits charging or making a profit.

Commissioner Catterall: How does anybody enforce that?

page 197] Mr. Bauknight: I think they can enforce it in the Circuit Court, *ultra vires.*

Commissioner Catterall: Well, I think the Circuit Court would have a lot of fun trying to find out whether you made a profit or not.

Mr. Bauknight: That's what the statute says.

Commissioner Catterall: It says you shall not make a profit.

Mr. Bauknight: It says you shall include, and there's nothing about profit.

Commissioner Catterall: It doesn't say the Circuit Court will have jurisdiction.

Mr. Bauknight: It says you would. The statute says you have jurisdiction, and this has been interpreted to mean —

Commissioner Catterall: We have jurisdiction if you fall down on your bond. Go ahead.

Mr. Bauknight:

Q. Mr. Corbalis, do you have an opinion

page 198] as to whether the public interest of these citizens would best be served by having all of the water service in Fairfax County under the controlling coordination of one body?

A. Yes, I think it would be better served.

Q. Do you think that the Authority is the body which would best be able to meet this need?

A. Yes.

Q. Why is that?

A. I think we have demonstrated thus far our ability to

meet the needs of the area, to provide improved service, at reasonable cost, and certainly, as we go into the future, with more and more areas to be served, and more and more customers, the unit cost is bound to be less, the rates can be less, and, as indicated a moment or two ago, we have no right, and do not make any profit in our operation.

Q. Do you feel that it is preferable to have the
page 199] body which can coordinate the utilization of the available water sources?

A. Yes, I think perhaps that's the paramount need in this situation.

Q. Which of the two bodies, The Alexandria Water Company or the County Water Authority, can best do this, to best coordinate this?

A. In my opinion, the Water Authority can.

Q. Do you know whether or not the Water Company can purchase water from the District of Columbia Treatment Plant?

A. They cannot do so, under statute.

Q. Does the Authority have a contract with the Water Company for the purchase of water, supply of water, by the Company to the Authority?

A. Yes.

Q. What are the limitations, if any, in this contract? Is the Company obligated to furnish water to the Authority?

A. The Company is obligated for a period of forty years to meet certain prescribed demands for water,
page 200] served by so-called Mount Vernon Water System.

Q. Was this contract entered into by the Company voluntarily, so far as you know?

A. Yes.

Q. And not under the order of the Commission?

A. No, Sir.

Q. Mr. Corbalis, I am somewhat confused, and I would say that Judge Catterall is confused —

Commissioner Catterall: No, no. I am never confused.

Mr. Bauknight:

Q. With relation to the five year period which Mr. Riely mentioned and Judge Catterall mentioned in a question to you, you did not intend to say, or did you intend to say that the Authority would not have enough water to last more than five years for the demands upon it?

James J. Corbalis, Jr.

A. With the growth that is expected in the area, now served and to be served by the Authority, including the area sought by the Company, there will be additional water page 201] supply required sometime between 1970 and 1973, our best estimates indicate. That water could be made available, as indicated earlier by Mr. Niles, in the scheme he outlined consisting of the blue covered facilities on this map before you, Exhibit No. 4. We have, however, contemplated again, if the growth develops, that this would occur, and have provided the financial ability to meet that need when it occurs, and only out of earnings, the position that we are now in and will be in, under our recent refinancing program, under our ability to issue additional bonds when that time arrives.

Q. Is not this pretty well set out in the official statement that you mentioned?

A. Yes, it is.

Q. Does the Authority now have on hand, without the necessity of additional financing of any kind, the money to extend the service in the area under consideration?

A. Yes.

Mr. Bauknight: I have no further questions.

page 202] CROSS EXAMINATION

By Mr. Riely:

Q. Mr. Corbalis, I think I shall be very brief. I believe you said you had had negotiations with Mr. Steinberg for serving water?

A. Yes, Sir.

Q. Was Mr. Steinberg told that he would have to contribute sixty-six thousand dollars toward getting the water to the property line?

A. No, Sir.

Q. He was not told that?

A. No, Sir.

Q. No sixty-six thousand figure was mentioned to him?

A. No, Sir. I correct you by six thousand dollars. It was sixty thousand. It was not a contribution. It was an advance to be repaid.

Q. But he would still have to advance it?

A. In addition to this, this was a preliminary discussion with Mr. Steinberg. No written proposal has been offered or

accepted by Mr. Steinberg.

page 203] Q. But he would have to make an advance of sixty thousand dollars, under your initial proposal to him?

A. Yes, Sir.

Q. Have you had any discussions with The Alexandria Water Company concerning the possibility of the Authority obtaining any additional water supply up in the vicinity of the Annandale plant?

A. I am not familiar with them.

Q. You are not familiar with any discussion about any additional water from the Company in the vicinity of Annandale?

A. No.

Q. I believe you testified that the Authority pays no taxes?

A. That's correct.

Q. And it makes no contribution to the Fairfax County Government in lieu of taxes?

A. That's right.

Q. And will make no contribution to the Prince William County Government in lieu of taxes, if it acquires the property in Prince William?

page 204] A. That's correct.

Q. As I understand it, you stated, in your official statement for the recent bond issue, you considered that you would receive the revenues from the additional service area sought by the Company in this proceeding?

A. Yes, Sir.

Q. And I take that to mean that, unless you receive these revenues, the revenues of the Authority would be inadequate to service the existing debt?

A. No.

Q. Now, you testified, I believe, that the average family paid one and a third cents more per day to receive water from the Authority than it does to receive water from The Alexandria Water Company; is that correct?

A. Yes.

Q. Then you and I are confused on the subject of arithmetic, Mr. Corbalis. You heard the gentlemen this morning testify that if the Company supplied water, the

page 205] new homeowner would pay two hundred and fifty dollars less for his house, did you not?

A. Yes.

Q. Do you agree with that statement?

A. No.

Q. Do you not agree that the purchase price that he pays at the time he buys the house would be two hundred and fifty dollars less?

A. It is my opinion that he does not.

Q. Why? On what do you base that?

A. Because I have talked to a number of builders who have told me that that is not their method of operation. That may be the method of operation of these gentlemen, but I just do not believe it.

Q. You have no reason to believe they are not telling the truth, do you?

A. No; I don't mean it that way.

Q. Well, that's what you said.

A. As a general premise. I thought you were putting the question; but, as far as the individuals who testified here this morning, they may well operate in that fashion.

page 206] Q. So the householder who buys their house will pay two hundred and fifty dollars less than the one who — if the Company serves the water than if the Authority serves the water?

A. Yes.

Q. And thereafter, at least at the present moment, he will pay the Authority more money per quarter for water than he pays the Company for water?

A. Yes.

Q. And so until such time in the future as that rate relationship is altered, the so-called purchaser will save the two hundred and fifty dollars, and more, if the Company serves the water; isn't that correct?

A. Yes.

Mr. Riely: I have no further questions.

Mr. Elliott: I have no questions.

Commissioner Hooker: You may stand aside.

Witness stood aside.

page 207] Mr. Louk: Mr. Carlton Massey.

CARLTON C. MASSEY,

a witness introduced on behalf of Interveners, being first duly sworn, testified as follows:

Carlton C. Massey

DIRECT EXAMINATION

By Mr. Louk:

Q. Will you state your name, please?

A. My name is Carlton C. Massey.

Q. And your occupation, Mr. Massey?

A. I am County Executive of Fairfax County.

Q. And your address?

A. My home address is 601 Beechtree Drive; Postoffice, Alexandria.

Q. How long have you served as County Executive for Fairfax County?

A. It has been just over thirteen years.

Q. Did the Board of Supervisors of Fairfax County, Virginia, recently pass a resolution regarding this hearing here today, upon which they had notice through your office and my office?

A. Yes, they did.

Q. Do you have a copy of that resolution?

page 208] A. Yes, I have an original executed copy with four additional copies.

Mr. Louk: We would like to offer this in evidence.

Commissioner Hooker: It will be received as Exhibit No. 11.

Mr. Louk: In the interest of time, we will leave it in the record, and not read it.

Q. Mr. Massey, would you comment — were you present and employed as County Executive when the Board of Supervisors created the Authority in 1957?

A. Yes, I was.

Q. Would you just briefly comment on the purposes and the reasons for the creation of the Authority by the Board of Supervisors?

A. The Board of Supervisors, in 1957, proceeded under the then existing Virginia State Statutes to create the Fairfax County Water Authority, for the basic purpose of permitting a board overall system for furnishing water to residents of Fairfax County, with the specific view in mind of

page 209] correcting those conditions which existed at that time in the same private or public service corporations, and, to a large extent, at the request of the citizens

who were not having adequate water during portions of the year for even sanitary purposes.

Q. And from the time of this creation to the present date, would you comment briefly on the cooperation and financial support of the Authority by the County Board of Supervisors?

A. In the early stages of the Authority, prior to its issuance of bonds, it did not have funds to begin its program, and the governing body of the County then advanced to the Authority at different times a figure, if I recall correctly, of approximately a hundred thousand dollars in order to permit them to begin the program and make some small acquisition of companies and make the improvements to these small systems. This entire amount was in the nature of a loan, and it was repaid to the County by the Water Authority after it had purchased certain larger systems and issued bonds, and its operation had been extended further.

page 210] More recently — in fact, in August, of 1960 — the County loaned to the Authority two hundred and fifty thousand dollars with the stipulation that this money was to guarantee the Authority's ability to service bonds which it issued at that time, should it not be able to do so from other resources. This money was placed in an escrow agreement with the Authority, and invested by a bank in New York, during which time the County received the interest on this investment, and the two hundred and fifty thousand dollars has now been paid back to the County in *toto*.

This is the type of financial support the Board of County Supervisors has given to the Water Authority.

Q. With respect to the condemnation suit against The Alexandria Water Company by the Board of Supervisors, were you present, as County Executive, when the Board passed its resolution?

A. Yes, I was.

Q. And has the Board of Supervisors, to your knowledge as County Executive, continued earnestly

page 211] and are now in the process of condemnation?

A. The original action taken to authorize the condemnation suit was in 1961; and, since that time, there has been an election, and new members of the Board of County Supervisors, and both the Board which was in being at that time with its membership, and the one which is in being today have proceeded and followed that course taken, and have supported this condemnation procedure; and in fact, of course,

are paying the cost of this suit.

Q. Would you comment on the cooperation with the Authority for the benefit of the citizens of the County?

A. Perhaps an illustration, primarily, might be indicated what has happened here. The County has a County Sanitary Sewage System, which is financed by bond issues, approved by the entire electorate of the County, Countywide, which does not mean, of course, that the Sanitary Sewage System extends over the entire area, but all of the people of the County have to approve the issuance of these bonds

page 212] There was an instance in which a small subdivision, and not so small as it had some several thousand homes in it, had a private sanitary sewer system and water system, operating, I believe, as a public utility or public service corporation, and it was considered desirable to acquire both of their systems, both the sewer and the water. The Water Authority wanted to purchase this water system, and the owners did not wish to sell one without the other; and the County did not at that moment have sufficient funds under its bond issue to buy the sewer system. Consequently, the —

Commissioner Catterall: Let me get that straight. Was the County buying them?

A. What I am indicating is that the sewer system of the County is operated by the County, and under County bond issues.

Commissioner Catterall: The sewer is entirely separate from the Authority?

A. That is correct.

Commissioner Catterall: I see.

A. In this instance, the Water Authority, which could issue bonds without referendum, which would

page 213] have taken too much time on a Countywide basis, agreed to acquire both the sewer system and the water system in this development, and on the contract with the County leased back to the County the sewer system, with the County, of course, agreeing to pay the required funds to the Water Authority to service the debt applicable to the acquisition of the sewer system, which cooperation meant that the total sewer and water systems, purchased at one time, had put one in the Water Authority, where it belonged, and one in the County along with the rest of the sewer system.

The main purpose here was to eliminate two improperly

functioning small sewage treatment plants, to eliminate well water supplies ultimately with a better water supply, for the total purpose.

Q. Now, as County Executive, I assume you listen to a lot of complaints from day to day. What is the general attitude of the citizens of the County, if you know, and their comments on the Authority's program, and so forth?

page 214] A. I would have to comment here somewhat to the negative because of lack of knowledge. I would assume that many people would be calling my office if they had specific complaints, and over the period of years these have been very small, and I can think of only a few in which there have been primarily instances of where the Water Authority has found it necessary to turn off water because of the failure to pay a bill, or something of that kind; and I have had almost no comment in either direction from the citizens with respect to the charges or the service, generally speaking, which I assume means not too bad.

Q. I believe you indicated that the Authorities have been three different Boards of Supervisors, three elections?

A. Since the creation of the Authority.

Q. Three elections; and the cooperation of all those Boards has been fine with the Authority?

A. As far as I am concerned, all four of those Boards have followed the same procedure considering this to be the proper way to provide water service to the County generally.

Q. Were you present before the Board of Su-

page 215] pervisors or do you have minutes of the Board of Supervisors regarding the request of Richmarr for the rezoning?

A. Yes, I have an excerpt from the minutes of the date on which that case was heard by the Board, February 24, 1965.

Q. Yes. Do you have a certified copy of that?

A. I do not have a certified copy.

Q. Do you have the minutes prepared by the Clerk of the County Board of Supervisors?

A. Yes, I do. I do not have them certified.

Q. Well, that's all right.

A. This is the entire document dealing with the total zoning cases. The matter concerning the water supply is a single sentence.

Q. Would you read that to the Commission?

A. This is the Clerk's recording of the Minutes of the Board meeting of February 24, 1965, in which
page 216] Mr. Bernard Vagelston, counsel for the applicant, and in this case the applicant was for the rezoning which was the Richmarr, and Mr. Bernard Vagelston states that water will be made available to this site by the Fairfax County Water Authority. There is no further comment.

Mr. Louk: That's all of this witness. Your witness, Mr. Riely.

CROSS EXAMINATION

By Mr. Riely:

Q. At that time this application had not been *field,* had it?

A. Which application?

Q. The application which the Commission is hearing today.

So far as I know, that's correct. I had not known it.

Mr. Riely: I have no further questions.

Commissioner Hooker: Stand aside. You didn't want to ask any questions, did you?

Mr. Elliott: No. Sir.

Witness stood aside.

page 217] ROSSER H. PAYNE,

a witness introduced on behalf of Interveners, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. State your name, address, and occupation, please?

A. My name is Rosser H. Payne. I live at 439 High Street, Warrenton, Virginia; and I am presently employed as Chief Comprehensive Planner, Fairfax County, Virginia.

Q. Mr. Payne, how long have you been engaged in that occupation in Fairfax County?

A. This is my eleventh year in that position, Sir.

Q. In that capacity do your duties require you to be familiar with and make recommendations for the zoning and development of the County?

Rosser H. Payne

A. That's correct, Sir.

Q. Are you familiar with the sewer and water facilities in the County areas under your cognizance?

page 218] A. Generally so, yes, Sir.

Q. Now let me show you a map. Mr. Payne, were you also familiar with the actual development which has taken place in the County?

A. Yes, Sir.

Q. Now, I show you a map which is titled "The Alexandria Water Company Certificated Service Area Enlargements," and point out that this map has the areas of the County, certain areas separated and identified by numbers, the legends No. 1, March 4, 1959; No. 2, April 9, 1962; No. 3, September 4, 1963; No. 5, May 20, 1964; No. 5, May 4, 1965; proposed.

Do you understand, Mr. Payne, that the areas here delineated and those dates, pertain to the various areas certificated to the Water Company by this Commission?

A. Yes, Sir, I understand that.

Q. And that the applicable date to each number is the date on which the particular area was obtained?

A. This is my understanding, Sir.

page 219] Q. Now, with regard to the area —

Mr. Bauknight: May we mark this, please, Sir?

Commissioner Hooker: That will be Exhibit No. 12.

Mr. Bauknight:

Q. This map has now been marked Exhibit No. 12, Mr. Payne. With reference to Exhibit No. 12, and to the area No. 1 that was certificated to the Company on March 4, 1959, can you tell the Commission approximately how much area was obtained in that location, in that certificated area?

A. My information is that area contains forty-six hundred and fifty acres.

Q. Can you tell the Commission, by reference to this map, the state of development in that area on January 1, 1965?

A. That is the one inch equals four thousand foot scale land use map of Fairfax County, the map dated January 1965.

Rosser H. Payne

Q. The map says 1965. I understand this is as of January 1, 1965?

page 220] A. That is correct.

Q. This map was prepared by the Fairfax County Planning Division?

A. That is correct.

Q. Which is a branch of the County with which you are concerned?

A. That is correct. The lighter colored orange and yellow areas are residential development areas. The very dark brown and reds are the multi-family and commercials. The green areas are those areas that are publicly and privately owned for recreational purposes. The blues are Federally or State or Government owned installations. The darker blues are the Potomac River, the Belmont Bay, Gunston Cove, and Occoquan. The white areas are undeveloped land.

In Area No. 1, the forty-six hundred and fifty acres, we find this area under very active development today. It is zoned and programmed for an intense development beyond ten persons per acre.

Q. All right. Now, with regard to your Area

page 221] No. 2. Do you know the approximate content of that certificated area?

A. Yes. This is an area that we refer to as the Middle and Lower Pohick Valleys, containing fourteen thousand, six hundred and fifty acres.

Q. And, again, in here the yellow areas are single family dwellings, that is, actual development?

A. That is correct, Sir.

Q. Now, what is the status of the development in that area at this time?

A. At this time there has been little change in the development pattern since 1958. However, the consideration for a sewer system in this area has indicated the granting of two zoning cases by the Fairfax County Board of Supervisors, Cases A-452 and A-703, totalling approximately five hundred and sixty-one acres. These zonings were granted in 1964, but, as of today, are still undeveloped.

Q. Are there any other zoning applications pending with the County in Area No. 2?

page 222] A. We have one pending case, No. B-149, for one hundred and five acres.

Q. So the zonings granted and pending constitute six hundred and six hundred plus acres out of the fourteen thousand

and some acres included in Area No. 2; is that correct?

A. That is correct, Sir.

Q. Now, No. 3, I have not devoted your attention to because this area was granted to the Company without opposition by the Authority; is that true?

A. That is correct, Sir.

Q. No. 4 is the Mason's Neck area.

A. Yes, Sir. This is identified as having eight thousand, four hundred and thirty-five acres of land. It has no utilities at the present time. There is one pending zoning case, Case No. A-844, containing three hundred and seventy-four acres, before the Board of Supervisors. It contains a negative Planning Staff and Water Control Board for sewer.

Q. Is that Mr. Steinberg's property?

A. That is correct, Sir.

page 223] Q. That, of course, is a different property that he referred to in Area No. 5?

A. That is correct.

Q. Do you know of any other or are there any other zoning applications or development indications in Area No. 4?

A. This is the only case.

Q. The yellow demonstrates the full extent of the actual development?

A. That's right.

Q. Now, with regard to Area No. 5, this is the area now applied for by the Company. What zonings have actually taken place in Area No. 5 as of now?

A. This area, containing approximately eleven thousand, eight hundred and eighty-three acres, referred to as the Upper Pohick and Sandy Run areas, — there has been one zoning case, No. A-925, containing four hundred and ninety-five acres, granted from one acre to R-17. This is the seventeen thousand square foot average lot size.

page 224] Q. Is that the Richmarr case?

A. Yes. There is one pending case, B-142, containing two hundred and forty-three acres, and that is the Steinberg case.

Q. Are there any zoning applications or any indications that there are any other development in Area No. 5, other than Mr. Tom Williams' testimony this morning?

A. This is the only one that I am aware of.

Q. Has Mr. Tom Williams applied for rezoning?

A. No, Sir, he has not.

Rosser H. Payne

Q. Then, except for the Richmarr and Steinberg tracts, the yellow indicates the present, and, as far as you can now see, from what is pending before you, the development of this tract?

A. That is correct.

Q. Now, Mr. Payne, you made reference to the Pohick sewer program or sewer system. I want to show you another map on that.

Mr. Payne, I show you now a map titled "Ac-
page 224] cotink — Pohick Sewage Plant" with the legends
of the blue areas to be served by sewer, green, proposed sewers; dashed orange, boundary of area requested to be added to The Alexandria Water Company's certificated service area, dated June 1, 1965; and ask you if this depicts the items which the legends show. Now, for the Commission and for Mr. Payne's benefit, this map is turned a little bit. It's a different map, and is no longer straight up and down, but joined about so, and it's a little confusing.

A. This map does show the proposed construction for sewer trunk lines and service areas under the Accotink — Pohick bond issue, passed May 4, 1965.

Q. Now, the blue area, Mr. Payne, I believe indicates the area proposed to be served by this new sewer program?

A. That is correct.

Q. Is there any existing sewer program or existing bond, planned bond issues, to still complete?

A. There certainly is.

page 226] Q. I'll take one at a time. Is there any existing
sewer program to sewer the areas north and westerly of the blue areas?

A. No, Sir, there are not.

Q. Are there any bond issues in preparation to enable such a program to be adopted?

A. No, Sir, there are not.

Q. Does this blue line, which approximately bisects the dotted orange line, which is the area now sought by the Company, indicate the westerly extent of the land that will be sewered by the existing new sewer program?

A. Yes, Sir, it does.

Q. And the two developments of Richmarr and Steinberg are properly shown on this plat as within the two areas?

A. That is correct, Sir.

Q. Now, is the solid green line the location of the proposed mains which will implement the new sewer program?

Rosser H. Payne

A. That is correct.

Q. In other words, the area to the easterly part
page 227] of the blue area, if you will recall the other map,
Mr. Payne, would you say that that area has seen significant development to date?

A. Yes; the eastern part of the area follows generally along a growing route. The area to the east is under intense development today, and has been for a period of more than six years.

Q. The area west of the sewer line, as of now, has not been developed very heavily though, has it?

A. It has not been intensely developed.

Mr. Bauknight: I don't believe this map has been marked as yet.

Commissioner Hooker: It will be received as Exhibit No. 13.

Mr. Bauknight: I have no further questions.

CROSS EXAMINATION

By Mr. Riely:

Q. Mr. Payne, I don't know much about Fairfax County, so I am somewhat at a disadvantage; but isn't it true that
normally, before you get the zoning, the developer
page 228] has to show that the water supply is available?
A. Yes, Sir; this is one of the requirements in the forms listed for justification of zoning.

Q. The availability of the water supply comes before the zoning?

A. Usually, yes, Sir.

Mr. Riely: Thank you. I have no further questions.

Commissioner Hooker: Stand aside.

Witness stood aside.

page 229] Commissioner Hooker: How many more witnesses do you have?

Mr. Bauknight, Three.

Commissioner Hooker. The Commission will recess this

case until 10:00 o'clock Tuesday, June 15th.

Mr. Bauknight: These gentlemen are from out of town, one from New York, and one from Baltimore. If it please the Commission, I would appreciate it if you would have them.

Commissioner Hooker: We can't possibly get through today.

Commissioner Catterall: Why didn't you put them on first?

Mr. Bauknight: Well, I had others. Mr. Niles is from out of town too.

Commissioner Catterall: Well, I mean you could have put your own on last.

Mr. Bauknight: One is for a more orderly presentation; and the other is that everyone had an interest in getting away; and I couldn't satisfy them all.

page 230] Commisioner Hooker: We couldn't get through in ten minutes, that I know. Then it will be Tuesday morning at 10:00 o'clock, June 15th.

Mr. Bauknight: If it please the Commission, I have no desire to prolong the case. However, these witnesses are an important part of our case, and if, for some reason, cannot get back on that date, I request continuing the case to —

Commissioner Hooker: Well, when people come to Court, they come here to stay until the case is over.

Mrs. Wootton has been going all day, so we can't go further now. We will recess this case until 8:30 tomorrow morning.

Mr. Riely: Golly. It's going to be a short night, isn't it?

Commissioner Hooker: Go to bed early.

Mr. Bauknight: I would like to state that Mr. Willse's testimony is very important, but he says he has to leave.

page 231] Commissioner Hooker: Eight-thirty tomorrow morning. The Commission will rise.

June 12, 1965
8:30 A. M.

The Commission resumes its session.

Commissioner Hooker: First witness.

Mr. Bauknight: May it please the Commission, we had a witness who, you will recall, had prior commitments and could not stay over until this morning.

Commissioner Hooker: Being on Saturday, I thought when we adjourned it to today, he would certainly not have any

excuse for not being here.

Mr. Riely: We were not in a position to inquire as to his inability.

Mr. Bauknight: I guess not. At any rate, we told him that we would take the deposition of this witness, this being the next best thing to his being here. We were not able page 232] to reach Judge Hooker, but we reached Judge Catterall who gave his consent to it, and Mr. Riely consented to attend the deposition and did cross examine, although he did reserve the right to object to its being taken, after consultation with his client, pointing out that, because of the lack of notices, had not time to —

Commissioner Catterall: The law is that, if the man is physically present, we cannot object to the shortness of the notice.

Mr. Bauknight: This deposition, of course, is not prepared or transcribed, and we do not have it this morning. The reporter assured us he will get it in as soon as he can.

Commissioner Hooker: You were present?

Mr. Riely: Yes, Sir, I was present, and I presented on the record the right to object due to lack of notice. I withdraw that objection at this time, but I think Your Honors will find my objections as to the relevancy page 233] and materiality throughout the depositions, which objections remain.

Commissioner Catterall: It is really surprising that they don't have some immaterial evidence when they get a deposition.

Mr. Bauknight: For the record and for your information, the name of the witness, whose deposition was taken, is R. Gerard Willse, Jr., for identification.

page 234] The following are the depositions ordered by the Commission to be included in the record:

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

Application of
ALEXANDRIA WATER COMPANY
For amended certificate under the Utility Facilities Act — Case No. 11-235

DEPOSITION *DE BENE ESSE* OF
R. GERARD WILLSE, JR.
IN BEHALF OF PROTESTANTS
June 11, 1965
Richmond, Virginia

APPEARANCES:

Applicant —
J. W. RIELY, ESQ.
E. M. FARLEY, III, ESQ.

Protestants —
Board of County Supervisors of Fairfax
page 235] County, Virginia, and Fairfax Water Authority, by:

WILLIAM C. BAUKNIGHT, ESQ.
JOHN F. KAY, JR., ESQ.
RICHARD R. G. HOBSON, ESQ.

Deposition *de bene esse* of R. GERARD WILLSE, JR., taken in behalf of protestants, before C. Overton Lee, a notary public for the Commonwealth of Virginia at large, by agreement of counsel insofar as notice as to time and place and upon permission by the Honorable Ralph T. Catterall, Judge, on request by counsel for protestants, commencing at 5:08 p. m., June 11, 1965, at the offices of Hunton, Williams, Gay, Powell & Gibson, 11th Floor, Electric Building, Richmond, Virginia.

Mr. Riely: Mr. Bauknight, as I have just told Mr. Kay, I have not had an opportunity, since Mr. Kay requested that I consent to this deposition, to consult with my client on the matter; and I feel that in those circumstances, I must reserve the right to object when the deposition is tendered to the Commission, until I have had an opportunity to consult my client. I am sure that you can understand my position in this matter.

page 236] Mr. Bauknight: I understand it.

Mr. Kay: I might just state for the record that I have just talked to Judge Catterall and explained the situation to him, and he said to go ahead and take the deposition.

R. GERARD WILLSE, JR.,
was sworn and deposed in behalf of the protestants, as follows:

R. Gerard Willse, Jr.

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Will you state your full name and address, Mr. Willse?

A. R. Gerard Willse, Jr.; 1309 Ruxton Road, Baltimore County, Maryland.

Q. What is your occupation, Mr. Willse?

A. I am an investment banker.

Q. By whom are you employed and how long have you been so employed?

A. I was employed by Alex. Brown & Sons in September, 1945, as a trainee to become a registered representative. I became registered in 1946, and in 1949, I became associated with the Municipal Bond Department of Alex. Brown & Sons, and have specialized in municipal bonds for the last sixteen years. I became a general partner of the firm in January, 1959.

page 237]

Q. What interest has Alex. Brown & Sons had in municipal bond underwritings and issues? And can you give us some examples of some municipal revenue financings in which Alex. Brown has participated?

A. Alex. Brown & Sons has managed many large municipal revenue underwritings, such as $180 million Maryland Bridge and Tunnel revenue bonds of 1954; $74 million Northeast Expressway revenue bonds of 1962; $28 million Delaware Turnpike revenue bonds of 1962; $103 million Delaware River and Bay Authority issue of 1964.

In November of 1964, we managed $8,500,000 Appomattox River Water Authority bonds; also, we were the managing underwriters of $18,530,000 Fairfax County Water Authority bonds of 1965. We have also been major participants in practically all of the larger tax-free revenue financing of the last twenty years.

page 238]

Q. In addition to your participation in municipal bond underwritings and issues during the past sixteen years with Alex. Brown & Sons, have you lectured on the subject of municipal bonds?

A. I frequently lecture on tax-free bonds, at Johns Hopkins University, and at banking seminars.

Q. Where were you educated, Mr. Willse?

A. At the University of Virginia.

Q. Mr. Wilson (*sic*), directing your attention to the Fairfax County Water Authority of the $15,810,000 bond issue of

1965, what was your participation in that particular financing?

A. We were the managing underwriters of this financing.

Q. Were there other underwriters involved?

A. There were other underwriters involved. They consisted of Merrill Lynch, Pierce, Fenner & Smith; and Herbert J. Simms & Company, Incorporated.

Q. As managing underwriter, was it your function to thoroughly investigate all of the bases for the

page 239] Authority's issuance of these bonds, with regard to revenues, areas to be served, and *et cetera*?

A. Yes, that was part of the official statement which was prepared in connection with the offer.

Q. Is that official statement the document which I now show you, marked "Exhibit 3?"

A. Yes.

Q. Did you make a thorough study of this official statement, before you agreed to participate in this underwriting?

A. We not only made a thorough study of the preliminary draft of the official statement, but we also participated in the final draft of the official statement.

Q. Based on your knowledge of the Authority's affairs and on the contents of the official statement, do you feel that it was represented to you that the area now sought by the company would be in the proper and logical service area of the Authority?

page 240] Mr. Riely: Excuse me. Mr. Bauknight, is this a question as to what was represented to him, or is it a question as to what he feels?

Mr. Bauknight: What he feels.

Mr. Riely: If it is a question of what he feels, I object to it, on the ground that it is irrelevant and immaterial.

Now go ahead and answer.

By Mr. Bauknight:

Q. (Continuing) Go ahead and answer, on the basis, Mr. Willse, of your particular feeling as to the area first; and then I will ask you as to the representation.

A. Well, I would like to quote from the official statement of April 14, 1965, at page 19. Repeat your question.

Q. The question is, in your participation in this underwriting, what was your opinion as to whether or not the area now sought by the company, would be served by the Authority?

R. Gerard Willse, Jr.

Mr. Riely: I repeat my objection to the question, on the same ground.

By Mr. Bauknight:

page 241] Q. (Continuing) Did you think this area would be served by the Authority?

A. Yes. As a matter of fact, the area, we believed it to be a part of the county which Fairfax Water Authority would serve. We believed this, because we knew that certain of the proceeds of the bond sale, as well as other funds and revenues from the period of 1965 to 1970, as stated in the official statement, were to be used, among other things, to extend water service to this area. This area, as you know, is undeveloped now, and it was expected that this would become a part of the service area of the Fairfax County Water Authority.

Q. And is not this the representation that was made in the official statement, by the maps and the other matters testified to this morning?

A. That is correct, sir.

Q. Do you have an opinion as to what the effect would have been on this bond issue, had it been known at the time of the purchase of the bonds, that this area would not be served by the Authority, but by the Alexandria Water Company.

page 242] Mr. Riely: Same objection.

A. It is my opinion that if it had been known prior to the recent financing authority that the company would apply to the State Corporation Commission to enlarge its service area in Fairfax County, this would have made the financing more difficult, perhaps impossible, as it is an established fact that prospective purchasers of revenue bonds are ever mindful, and give considerable weight to the competition factor. In this case, they undoubtedly would have been less interested in purchasing the bonds; and would have rightfully expected a higher yield than at which the bonds were offered.

The net interest cost to the Authority was 3.72 percent. Naturally, if this net interest cost figure had been higher, the maximum debt service coverage would have been lower than the 1.24 times, as disclosed in the official statement, which coverage is near minimum for water revenue bonds.

Q. Restricting yourself only to your own purchase or

underwriting of the bonds as an underwriter, not
page 243] as the managing underwriter for the syndicate,
would that result have obtained in your own action on these bonds?

A. Would that —

Q. Would the same result be effected by your own action?

A. Absolutely.

Q. So you have told us about the issue as a whole, which Mr. Riely objected to; and now, the same result would have taken place insofar as the bonds which your firm, itself, underwrote?

A. Right.

Mr. Riely: I make the same objection.

Mr. Bauknight: He knows about his own firm.

By Mr. Bauknight:

Q. Do you have with you a list of the bondholders who purchased the 1965 series bonds?

A. I do.

Mr. Riely: I again, object to this, on the ground of relevancy and materiality.

Mr. Bauknight: Could we mark it Exhibit A with the deposition?

Mr. Riely: Exhibit A.

page 244] (A copy of the list of bondholders who purchased the 1965 series bonds, was marked Exhibit A, as a part of this deposition.)

By Mr. Bauknight:

Q. Mr. Willse, have you with you any expressions of the feelings of any of these bond purchasers on this list, as to the present Application?

Mr. Bauknight: Let me state, Mr. Riely, that this would be material which we would pass to the Commission's file.

Mr. Riely: I don't see any reason for passing it to the Commission's file; it seems to me so far remote from any issue in this case.

By Mr. Bauknight:

Q. (Continuing) Will you identify, by the sender of these

communications, who they are; and we won't read them at all at this time, but you can state the sense of each one as to its position on the present Application.

A. The first one is from the Meadowbrook National Bank, telegram just to Mr. Corbalis, address-
page 245] ing their opposition to the granting of this Application.

The second one is a letter from Mr. Robert R. Maller, Assistant Vice-President of the United States Trust Company of New York. This, likewise, is an expression of their opposition.

The third one is from United Services Life Insurance Company, Charles Nestor, Investment Vice-President.

The next one is from the Franklin National Bank of New York, Harold W. Kurtz, Assistant Vice-President, again expressing displeasure.

The next one is from The Hartford Steam Boiler Insurance Company, signed by W. N. Morrison, Assistant Treasurer.

The next one is the Boston Safe Deposit and Trust Company from Alcid H. Simmons, Senior Investment Officer.

And the last one is from the Maryland National Bank, addressed to me, from Robert L. Taylor, Vice-President.

Q. Do all of these communications express
page 246] the opposition of these bondholders to the granting of the present requested area to the company?

A. They do; and some, in quite a bit of detail.

Q. I know that they will speak for themselves, but have you read all of these?

A. I have.

Q. Does each of them express the feeling of the writer that the financial stability of the Authority will be endangered by the actions; such as the granting of this certificate?

Mr. Riely: Mr. Bauknight, that is the same thing you did before. It seems to me you are asking him to read something in the record, and I object to it, a letter that we agree is inadmissible in evidence.

Mr. Bauknight: The same thing that you did before, too.

A. May I say, in answer to that, that we share the sentiments that have been expressed in these *ldtters*, for we have been involved with the affairs of Fairfax County
page 247] Water Authority since 1957, when we were first appointed financial advisor. We have since pur-

chased two issues from Fairfax County Water Authority, as managing underwriter; and in particular, I would like to mention the issue of 1960, which is known as the Potomac Issue, of $5,650,000.

The problem that existed with this financing was primarily centered around the point of competition, competition with other public companies in the area, water companies in the area; and also, the Alexandria Water Company. This financing took seven months, primarily due to the competition factor; because the prospective buyers, as I mentioned before, are always concerned with competition in the area.

And I would like to refer now to page 19 of the official statement, in which it states that the "Alexandria Water Company presently serves a large area of Fairfax County under a certificate of public convenience and necessity issued by the State Corporation Commission. Approval of the Commission is required for any enlargement of the

page 248] company's certificated service area. The Authority is not aware of any plans for the company to seek an enlargement of this certificated service area, and would oppose any application therefor if such an enlargement would adversely affect the Authority's interest."

The insertion of this statement in the most recent issue eliminated a lot of the fears of the prospective buyers that existed when we did the Potomac financing, in 1960.

Q. At the time of the Potomac financing of 1960, were there other competitive systems, other than that of the Alexandria Water Company?

A. There were. At the time, there were four other publicly-owned systems, which could, conceivably, compete with the Authority: City of Falls Church, City of Fairfax, Town of Vienna, and Town of Herndon. In addition to the privately-owned Alexandria Water Company, there were several other privately-owned companies, but of only minor significance.

Q. What was the situation at the time of the issuance of the 1965 bonds, with regard to those

page 249] towns and cities, by way of competition?

A. Agreements as to service area have been signed with the City of Falls Church, City of Fairfax, and Town of Vienna.

Q. Do you think that the removal of that competition was a significant factor in accomplishing the 1965 financing?

A. In my opinion, there is no question about it.

R. Gerard Willse, Jr.

Q. What was the net interest cost on the Potomac Issue of 1960?

A. In excess of 5 percent. And the interest cost on the recent issue, which I mentioned, is 3.72 percent. In my opinion, this reflects the competitive factor.

Q. Mr. Willse, from your familiarity with the Authority's affairs, and particularly, its most recent financing, do you think that the Authority is in a strong financial position, which will enable it to perform the program which it has set out to accomplish?

A. It is my opinion that the Authority's
page 250] current financial position is strong, and the Au-
thority should be able to continue to finance its future extensions and improvements, by issuance of additional bonds under favorable interest rates, providing the competitive factor is under control.

Mr. Bauknight: Mark that batch of communications as Exhibit B.

(Copies of the telegram and six letters were marked Exhibit B, as part of this deposition.)

Mr. Bauknight: That is all.

CROSS-EXAMINATION

By Mr. Riely:

Q. Mr. Willse, you have been familiar with the affairs of the Fairfax County Water Authority for a number of years, have you not?

A. That's right; shortly after inception.

Q. So, shortly after inception, you have known about it, and you have kept up with it, as you have gone along?

A. Yes, sir.

Q. And you have watched it grow, have you
page 251] not?

A. That is correct.

Q. And you have watched its relationships with the Alexandria Water Company, have you not?

A. Yes, sir.

Q. And you have known that the Alexandria Water Company applied for an additional service area on four occasions,

between the period of 1959 to date?

A. Does this include the last one?

Q. That includes the last one.

A. I was not aware of the — I would like to say this — I was not aware of the Application, nor were any of the prospective buyers aware of the Application, until after the bonds had been settled.

Q. But you were aware of the three previous Applications, were you not?

A. Yes, sir.

Q. And you know that the Alexandria Water Company has, from time to time, therefore, asked the Commission to increase its service area, as it considered the circumstances demanding, do you not?

page 252] A. Yes.

Q. And you reviewed the statement on page 19 of the offering circular, did you not?

Q. And you approved it?

A. Yes. It said at that time, "We do not know."

Q. And did it ever occur —

A. Isn't it correct, it says the Authority is not aware of any plans of the company to seek an enlargement of its certificated service area?

Q. Did you inquire of the company as to whether it had any plans to seek an enlargement of the certificated area?

A. No, we did not.

Q. You did not?

A. No.

Q. You didn't think that was a part of your responsibility to the bondholders, to make inquiry?

A. The Application was not filed until after the bonds were sold.

Q. But this talks about plans.

page 253] A. Well, I think this is somewhat farfetched. If we had gone to the Alexandria Water Company, would they have told you?

Q. I am asking the questions, Mr. Willse. Did you go?

A. Did we what?

Q. Did you go to the company and ask them?

A. No, we did not.

Q. You did not?

A. No.

Q. You did not think you had a responsibility to do that?

A. This is the responsibility — this is a joint responsibility.

R. Gerard Willse, Jr.

Q. Of whom?
A. Of the Authority.
Q. And who else?
A. And ourselves and the financial advisor.
Q. And you did not consider it was your responsibility to go to the company and ask whether it had any
page 254] plans?
A. This may have been done by Mr. Corbalis.
Q. But you didn't do it?
A. I, personally, did not do it.
Q. And, so far as you know, no one connected with Alex. Brown did?
A. No.
Q. And even though you knew of these repeated Applications in the past, on the part of the company, is that true?
A. Yes.
Q. So you accepted this representation on the part of the Authority that it was not aware of any plans?
A. That is correct.
Q. The representation, of course, did not say anything about what the company would do?
A. No. The representation to the bondholders is that the Authority — and this says the Authority and not Alex Brown & Sons —
Q. And you accepted that representation?
A. — is not aware.
page 255] Q. Is not aware. Now, you said, I believe, that you thought that this area sought by the company, in this case, would be served by the Authority?
A. Yes.
Q. What was the basis of your thinking so?
A. Well, funds from the proceeds of bond sale, plus funds on hand, were to be used for an enlargement and improvement of the system.
Q. Where, in this official statement, other than the maps, is there a statement that any particular funds would be expended within the particular area now sought by the company?
A. It is in here. May I consult with you?
Q. I would prefer your answering this question yourself, without assistant, sir.
A. Page 4 of the program: "The Authority has a continuing program of constructing additions, extensions and

betterments of the System to meet the needs of a rapidly growing area. About $1,516,000 of the proceeds of this issue, together with $1,039,000 of the funds on hand and
page 256] $4,372,000 from revenues during the years 1965 to '71, inclusive, are expected to be used principally for extensions of the water service."

Q. Is there anything, Mr. Willse, that says it will be extended into this particular area of the company, in this proceedings?

A. No, sir.

Q. Thank you. That is all I want to know on that point.

Mr. Bauknight: I think you ought to let him finish his answer.

Mr. Riely: I will be delighted, if he wants to add something to it.

A. What I wanted to add is this. It would appear feasible to expect the company to use these funds — the Authority to use these funds to render water service in any area that could be, or might be, under development.

Q. But that includes all of this area in light blue on this map, all the way out here, doesn't it, Mr. Willse?

A. That is right.

page 257] Q. Not necssarily the area being sought by the company in this proceeding, which is only a part of it?

A. It is not limited to that, no.

Q. Not limited?

A. It is not limited to this area, or that area (indicating).

Q. And, for all you know, they might have intended to put all of it in areas outside of the area that the company seeks in this proceeding?

A. No.

Q. Have you found anything that shows it?

A. No, but the point is that we would expend the funds in areas which were under more immediate development. As long as it was financially feasible for them to render service to that area, they would.

Q. Did you know that the area that the company sought in this proceeding, did you know before you got into this case, that it was an area ready for immediate development?

A. No, I did not.

page 258] Q. Thank you, sir. Now, Mr. Willse, are you telling us that these revenues that the Fairfax County Water Authority can expect, if it does not serve this area which the company seeks, will not be adequate to service these bonds?

A. Will what?

Q. That the revenues that the Authority can expect, if it does not serve the area sought by the company in this case, will be inadequate to service the $15,810,000 of bonds?

A. No, but the coverage would be impaired.

Q. The coverage would be impaired, but the revenues would be adequate to service the bonds?

A. My answer to that is yes. These bonds were rated by Moody, and it's conceivable to expect Moody to take a different appraisal of this issue, that they are losing an area that possibly they may be able to serve with water.

Q. That might harm the Authority, as to the future bond issues, but it does not affect, in any way, the existing bonds?

page 259] A. Oh, yes, it does.

Q. So far as the Authority is concerned?

A. Oh, yes, sir. Moody can reduce the rating on any outstanding issue.

Q. What I say, it is not going to cost the Authority any more money on these bonds?

A. Not on those bonds.

Mr. Riely: Thank you sir. That is all the questions I have.

REDIRECT EXAMINATION

By Mr. Bauknight:

Q. Mr. Willse, referring back to the official statement, Mr. Riely asked you if there was any place else, other than on the map, wherein the official statement specifically said the Authority will serve the area now sought by the company. Is that your understanding of the question?

A. Yes, sir, that is correct.

Q. He also showed you the map. It is true, is it not, that the area now sought is in the light blue area on the map?

A. It is.

page 260] Q. Further, on page 22 of the official statement, if you will look at it, is there not reference which refers to the map, figure 2?

A. Right.

Q. This is a very short statement. Would you refer to the statement there, the third from the bottom paragraph?

A. "The present and future service areas of the Authority, as shown on figure 2, are located within a band bearing from 7 to 25 miles from the center of Washington, D. C. The Authority is the logical supplier of water in these service areas."

Q. In your conferences and discussions relative to this issue, and the preparation of the official statement, do you recall whether actual developers and actual areas were discussed, in connection with this statement?

A. Yes, they were.

Q. Do you recall whether the names of any particular developers, who were then inquiring of the Authority for service, or the areas in which their develops (*sic*) were located?

page 261] A. Well, I cannot recall the names of the individuals involved, but I did understand verbally that the area in question was one that might be developed relatively soon.

Q. Mr. Willse, it is not really the Application of the company for permission to serve this area that concerns you, is it? Isn't it really the fact that the Commission might grant that application?

A. Yes.

Q. That is bothersome?

A. Yes.

Q. In other words, the Application, alone, would not affect you, would it?

A. No, sir.

Q. So, is it not so that the problem that you have now is the prospect of the Commission granting this Application, and the future Applications to the company?

A. That is exactly it. Having been involved in the affairs of Fairfax County Water Authority for a number of years, we are very anxious to see the Authority fulfil the

page 262] obligations that it was instructed to do, and to carry out, by the County Board of Supervisors. We think that the granting of this Application, approval of this Application, and future applications, to the company, could quite conceivably impair the quality of the bonds; and would cause, possibly, the Authority to pay higher interest rates for the issuance of additional bonds when it became

necessary to do so.

Mr. Bauknight: I have no further questions.

RECROSS EXAMINATION

By Mr. Riely:

Q. In a word, Mr. Willse, you think the company should be restricted to its present service area?

A. I do.

Q. And the reason for that is any increase in the company's service area would be bad for the Fairfax County Water Authority?

A. Yes, sir.

Q. And what is bad for the Fairfax County Water Authority is bad for the people?

page 263] A. I believe that to be true.

REDIRECT EXAMINATION

By Mr. Bauknight:

Q. And for the bondholders?

A. And for the bondholders.

Mr. Bauknight: That is all of the questions I have.

And further this deponent saith not.

(Whereupon, the deposition was adjourned at 5:50 p. m., June 11, 1965.)

COMMONWEALTH OF VIRGINIA AT LARGE, to wit:

I, C. Overton Lee, a notary public in and for the Commonwealth of Virginia at large, of qualification in the Hustings Court of the City of Richmond, Virginia, and whose commission expires January 3, 1966, do certify that, by agreement of counsel insofar as notice as to time and place, and permission by the Honorable Ralph T. Catterall, Judge, the within deponent appeared before me at Richmond, Virginia, and, after being first duly sworn by me, was examined by counsel and his examination reported in short-

page 264] hand by me and reduced to typescript under my direction; and that the foregoing is a true, cor-

rect, and full transcript of the testimony adduced, Exhibit A and Exhibit B marked as a part thereof, and other matters set forth therein and relating thereto.

Given under my hand and notarial seal at Richmond, Virginia, this 14th day of June, 1965.

(Original signed:)

C. OVERTON LEE
Notary Public
Commonwealth of Virginia at large
(NOTARIAL SEAL)

page 265] DUNCAN C. GRAY,
a witness introduced on behalf of Interveners, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Will you state your name, address, and occupation, please, Mr. Gray?

A. My name is Duncan C. Gray. My home address is 544 Hullamanor Road, Hullamanor, New York. My occupation is I am Executive Vice President and a Director of B. J. Van Ingen and Co., Inc., established in 1917, and one of the largest investment bankers specializing exclusively in municipal and revenue bond underwriting.

Commissioner Catterall: This is about the financing, I take it?

Mr. Bauknight: This is about the financing, the ability of the Authority to serve the areas in question.

Commissioner Catterall: Well, we don't object to letting it in, but I don't see that it has any bearing on the case at all.

page 266] Commissioner Hooker: We don't pass on the ability of the Water Authority in Fairfax.

Mr. Bauknight: This is as to the effect on the interest of the public of the Commission's granting this application.

Mr. Riely: It is clearly irrelevant.

Commissioner Catterall: Why, of course. It is the interest of the bondholders you are speaking of.

Duncan C. Gray

Mr. Bauknight: It is the interest of the bondholders, and the interest of the public.

Mr. Riely: Well, bondholders do not represent the public.

Commissioner Hooker: They represent themselves.

Commisioner Catterall: If they don't get enough money, we will raise the rates.

Mr. Riely: That is covered by the statue.

I object to this —

page 267] Commissioner Catterall: Let him make his offer.

Commissioner Hooker: He can make his offer, but I certainly see no reason to put that in the record. It is certainly immaterial, particularly before us.

Mr. Bauknight: Mr. Gray's evidence would be that — in order that I don't put words in his mouth, may he testify subject to the objection made?

Commissioner Catterall: Well, he has a right to take this question to the Supreme Court of Appeals. The witness can state his conclusions that the Authority would be unable to pay his bond if the application is granted.

Mr. Bauknight: That may not be what he is going to say.

Mr. Riely: I don't think that's going to be his conclusion.

Commissioner Catterall: Is that his conclusion?

Mr. Bauknight: No, Sir.

page 268] Mr. Riely: Not that they won't be unable to pay, but it will hurt it for the future, as far as its credit standing.

Mr. Bauknight: I think we are all conjecturing as to what he is going to say.

Commissioner Catterall: Let's let him put it in. It won't take too long, will it?

Mr. Bauknight: It wouldn't take too long.

Commissioner Catterall: Is it all written out?

Mr. Bauknight: No, Sir, but it won't take very long.

Commissioner Hooker: Let him make his statement without any questions, so he can get it in.

A. I have here an experience record of my firm, and of my own personal biography, and I could let you have that to save time.

Mr. Bauknight: Shall we introduce this as an exhibit?

Commissioner Catterall: That will be taken

page 269] down as if read in the record.

Commissioner Hooker: That will be received as Exhibit No. 14.

A. My firm has acted as Financial Consultant to the Fairfax County Water Authority since 1960. We have assisted the Authority in connection with four separate financings, involving the sale of its revenue bonds.

Most recently we designed and assisted the Authority in completing a refunding and improvement program involving the sale of eighteen million five hundred and thirty thousand revenue bonds. This official statement, which has been put in the record, was prepared under my supervision, and we were able to obtain a B Double A rating from Moody's Investors Service.

Commissioner Catterall: That wasn't the real underwriting, was it? You didn't buy the bonds?

A. No, Sir. I acted strictly as an agent for the Authority. We did not participate in the purchase of them.

page 270] Mr. Bauknight: But there was an underwriter.

Commissioner Catterall: They were not underwritten?

A. Yes, they were, the bonds were underwritten.

Commissioner Catterall: What do you mean by "underwritten." Define "underwritten."

A. Pardon?

Commissioner Catterall: Define the word "underwritten."

A. "Underwritten" means that the bonds were purchased by investment bankers, and they owned them.

Commissioner Catterall: So that the Water Authority has got the eighteen million dollars?

A. Yes, Sir.

Commissioner Catterall: Those bonds have all been sold by the Water Authority to the bankers?

A. To the bankers who have distributed them to institutional investors, and others.

page 271] Commissioner Catterall: Have they been able to sell them to the investors?

A. Yes. They are all sold.

Commissioner Catterall: That makes it all the more irrelevant.

Mr. Riely: We had the investment banker last night, Sir.

Commissioner Catterall: Well, of course, the banker is a part of the program.

Mr. Riely: A small portion.

A. I think the point I am trying to make is that I am

familiar with the Authority's financial position and the impact that this decision which the State Corporation Commission is considering here today. I am familiar with the impact on the Authority as far as its ability to finance in the future is concerned, and also testify to the Authority's present financial capabilities to be ready, willing and able to serve in the areas now in dispute, without any question.

One reason that I referred to the official statement is that there are many references in it which relate to
page 272] the disclosures that were made to investors and to the rating agencies, concerning the Authority's position. Page 3 points out that the Authority was created for the purpose of establishing a comprehensive Countywide water system.

Mr. Bauknight:

Q. You are referring now to the official statement which is an exhibit?

A. Yes. — "to be accomplished through the existence of privately-owned systems, and the construction of new facilities."

Page 3 also states that the "Authority is a public body corporate and politic, organized under the provisions of the Virginia" Statute. "The Authority was created by the Board of County Supervisors of Fairfax County and chartered by the State Corporation Commission in 1957."

Mr. Riely: It seems to me, if the Commission please, that reading what is in an exhibit is hardly an offer of proof.

Commissioner Catterall: No. The exhibit purports to define the legal nature of the Water Authority.
page 273] Mr. Riely: And what it proposes to do.

Commissioner Catterall: Did the prospectus represent that the Water Authority had an exclusive monopoly to extend its pipes to this area?

A. No, they did not.

Commissioner Catterall: To make it entirely truthful, they should have pointed out that they had no certificate of convenience and necessity.

A. The prospectus did point that out. It pointed out that the Authority had, in developing its capabilities and in carrying out its program, carefully, step by step, in an effort to solve one of the basic security problems which it faced, it

had taken steps to protect its service areas through agreement to produce its own water system.

The prospectus pointed out that the — this business of the Authority's area being exposed to competition.

Commissioner Catterall: So the public was not
page 274] misled, in any way, shape or form, from what you have said. They knew perfectly well that the Water Authority had known about it.

A. That is correct. It was stated though that, with respect to The Alexandria Water Company, The Alexandria Water Company could, by application to the State Corporation Commission, add to its certificate service area. It was stated that the Authority at the time had no knowledge of any such proceeding or intention of the Company to so expand, and it was stated that the Authority would oppose any such expansion.

Commissioner Catterall: Oh, I see. You are just doing your duty in opposing this.

A. Well, the Authority has fixed that position in the official statement; and I feel that investors and rating agencies felt that they could rely on the State regulatory agency, if the area involved was one which the Authority logically, from a engineering point of view, was financially able,
page 275] ready and willing to serve, and the impression certainly was given. It's a matter of opinion, I suppose.

Commissioner Catterall: Well, now, read the exact words which produced that inference. Let's hear that.

A. That's what I was starting to do. Page 22 of the official statement, which is referred to on Page 4, in describing the System of the Authority, makes the statement, with reference to figure 2 of the official statement, Figure 2 is this map, one of the exhibits put in, showing the area.

Mr. Bauknight:

Q. Do you have other copies of this?

A. Yes, I do.

Commissioner Catterall: This thing doesn't have to go through the S. C. C. apparently.

Mr. Bauknight: No. I will hand these up to the Commission. Mr. Gray has marked these for the portions that he is referring to, making it a little more —

page 276] Commissioner Catterall: You think we can go faster if you do that?

Mr. Bauknight: Yes, Sir.

A. Page 4, at the bottom of the page, describes the System by reference to the Engineering Report, which is appended; and if you go to Page 22, which is in the Engineering Report itself, the third paragraph up from the bottom of the page —

Commissioner Catterall: Page what?

A. Page 22, the third paragraph from the bottom of the page; it says:

"The Authority is the logical supplier of water in these service areas."

That is an engineering opinion of Greeley and Hansen. This statement was made after making reference to Figure 2, which is in the official statement, two sheets over from Page 22. This showed the Authority's present service areas in dark blue, and what we call "Future Service Areas" in light blue. The engineer states that it is a matter of

page 277] engineering opinion that the Authority is the logical supplier of water in these service areas.

Commissioner Catterall: Now, "1P" says the Potomac Water System; what is that?

A. Well, as the systems were acquired by the Authority, they were first called Annandale System, Potomac System, and Mount Vernon System, and they were given letters to identify them in that way.

Commissioner Catterall: Well, in the case of Annandale, of course, they took over an area that had been certificated. That's not your Potomac Water System, is it?

A. No, Sir.

Commissioner Catterall: The Potomac Water System didn't have a certificated area, that you have marked "1P," did it?

A. To my knowledge, it was not certificated by the State Corporation Commission, no.

Commissioner Catterall: So the Potomac Water System is just a nickname?

page 278] Mr. Bauknight: It is an area newly developed by the Authority, and it has not been certificated to any private company.

Mr. Riely: And all the rest of Fairfax County has not been certificated to anybody else or was presently in operation under the municipal authority.

Mr. Bauknight: That was not the case, if the Commission

please. The Potomac Water System is an actual system in service by the Authority. The area shown on it is the area, engineering and economically the logical service area planned for that System. The Authority issued five million, six hundred thousand dollars in bonds to finance the construction of a major trunk line to Dulles Airport.

Mr. Riely: Mr. Bauknight, are you saying that everything on Figure 2 that has "1P" in the light blue is presently served by the County Water Authority?

Mr. Bauknight: I don't think I said that.

page 279] Mr. Riely: That's what I understood you to say.

Mr. Bauknight: I can't recall saying that, and I don't think I did say that. What I said was that the Authority does have a water system which is known as the Potomac System, which is not just an area on a map, but which is, basically, a major system of trunk mains.

Mr. Riely: That's the dark blue on the map, is it not?

Mr. Bauknight: The dark blue is the area presently served. The light blue is the area which the engineers, expert engineers, logically and economically consider to be the service area of the Potomac System.

Mr. Riely: And that, in essence, is all the rest of Fairfax County which is not served by anybody else at this time or certificated?

Mr. Bauknight: It happens that on the map it is, but this is not why the area was so adduced.

page 280] Commissioner Catterall: Well, the reason I inquired is that, as I understand it, there was a certificated public utility whose name was "Potomac Water Company?"

Mr. Bauknight: No, Sir.

Commissioner Catterall: Oh, I see. The reference between Annandale and Mount Vernon is what threw me.

Mr. Bauknight: The Annandale and Mount Vernon System or portions of the areas in the Annandale and Mount Vernon Systems were at one time in private companies. A part of the Mount Vernon System was once operated by the Sydnor Company. Other parts were not served or certificated to anyone that the Authority extended its service into. The system designation had to do with the financing, which was done and which was in effect at the time this map was drawn, and each system shown had a separate financing because the

financing was done at different times; and the
page 281] revenues and the records and books had to be
kept separately for those systems; and this is why they are shown as different systems instead of just the Authority's system.

Commissioner Catterall: Now, are these transmission mains in black broken lines, are they now in place with water flowing through them?

Mr. Bauknight: Yes, all of the broken lines are in place with water flowing through.

Commissioner Catterall: So you now have water flowing between Fairfax and Falls Church?

Mr. Bauknight: We have water flowing between — actually the transmission main which goes to the Airport, starts up there where it says "District of Columbia," and it goes to the Dulles Airport; and you will notice that, in addition to the service directly on the line, the area of Reston, which is a fast developing planned community, where we now have
mains, and we are buying water for the time
page 282] being from the City of Fairfax, until the demand
is such as to warrant the extension of the Authority's mains to serve it, and the Authority's mains actually have been extended to serve the southern portion of Reston. The northern portion is served from the City of Fairfax.

Commissioner Catterall: I thought Reston was up near Herndon. Where is Reston?

Mr. Bauknight: Reston is just north of Herndon.

Commissioner Catterall: It does not show on this?

Mr. Bauknight: No, Sir. Reston is just north of Herndon.

Commissioner Hooker: It is in Loudoun County?

Mr. Bauknight: No, Sir. Herndon is in Loudoun County. Reston is somewhat east.

Commissioner Catterall: It is that blue circle?

Mr. Bauknight: Blue circle.

page 283] Commissioner Catterall: The dark blue circle.
Your main is in there?

Mr. Bauknight: Yes, Sir.

Commissioner Catterall: And where does the water come from for these mains?

Mr. Bauknight: Reston is a seven thousand acre development under one ownership in a planned community.

Commissioner Catterall: Where does the water come from?

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Mr. Bauknight: Water for the northern section of Reston, which is what the view shows, comes now by purchase from the City of Fairfax, which has a source on Goose Creek in Loudoun County, and a transmission main from that source to the City of Fairfax which is No. 2 on the map; and the line goes, roughly, or it does go, alongside the Washington and Old Dominion Railroad right-of-way, which I am sure the Commission knows about.

Commissioner Catterall: We know about that.

page 284] Thus, it is more economical at this time for the authority to purchase water from the City of Fairfax until Reston develops to the extent that it will warrant the Authority bringing its own mains into that area.

The southern area of Reston is now connected to the Authority's mains. Reston is developing in one area and in another area, somewhat separated from each other. This was economical to the Authority to purchase water from the city, and also economical to the City because the City has surplus water which it can sell.

Commissioner Catterall: Well, I still don't see that it is material. What you are asking this Commission to do is to give a certificate of convenience and necessity to the Authority. That's what it amounts to, because, if we turn down this application, we would not logically grant any other application to an area which you have colored light blue,

page 285] and it seems to me that, if the statute meant that, it would have said so.

Mr. Bauknight: Well, this is not the purpose of this proceeding. We realize that you have no statutory right to grant the Authority a certificate or the Authority would have applied for it eight years ago.

Commissioner Catterall: But you got the statute amended in order to allow you to compete with the private companies; and you say "Now we can compete with the private companies, the statute has been improved and amended, our first step in competing with the private companies is to get the Commission to forbid the private companies from competing with us."

Mr. Bauknight: That may be the result, but that is not the purpose of this proceeding. We are not here asking for a certificate. We are to show you that it is not in the public interest for this particular area to be granted to the Company under all of this evidence which you have

page 286] heard, which goes to the source of supply to

the interest of the people in the rest of the County who will have to —

Commissioner Catterall: Well, it would apply to every other square inch out there because here you have got an area and both outfits are racing as fast as they can go to get their pipes there.

Mr. Riely: And, as Mr. Bauknight has shown on his Figure 2, he has taken every other square inch of Fairfax County, and colored it a beautiful light blue.

Mr. Bauknight: If it please the Commission, each of these cases must stand on its own facts. Now, the Company did apply for an area which at the time would have been in the light blue had there been such a map in the No. 3 area shown on the exhibit. The Authority did not oppose this application. The Authority was not in a position to serve by the time it was projected that service would be needed, and there are other instances where service, even in the now
page 287] developed areas, would have been more economical and feasible for the Company to serve, where the Authority has written letters to the Commission and the Company, stating that the Authority would not object to the Company serving on the boundaries of their present area.

Mr. Riely: There must be at least five houses which that covers.

Commissioner Catterall: The policy question, which you are asking us to consider, sounds to me like legislative questions; and the Court of Appeals has so often told us that we must not legislate.

Mr. Bauknight: Well, another factor that I think should be considered, in talking about it in terms of the Legislature, is that under legislative sanction, the County has instituted and is prosecuting a condemnation suit. I think the effect of this acquisition on that is material.

Commissioner Catterall: If you want us to con-
page 288] sider the welfare of Northern Virginia, that would include the City of Alexandria, and, to my mind, if you win that condemnation suit, the citizens of Alexandria will be at the mercy of the citizens of Fairfax, and the water rates will be higher.

Commissioner Hooker: Prince William too.

Commissioner Catterall: And the same for Prince William County. If you want us to go outside the immediate area we are talking about —

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Mr. Bauknight: I do want you to go outside the immediate area.

Commissioner Catterall: Well, if you go outside the area, it seems to me that the citizens of Alexandria and the citizens of Prince William would be at the mercy of the citizens of Fairfax; and, if you succeed in your condemnation, you will have to pay a fair present market value which would be a very much higher rate basis support than that of the Company which put its pipes in many years ago. Nobody has offered evidence on that in this case, but it seems page 289] to me that, if we are going to consider the whole neighborhood, that is something that's pretty obvious.

Mr. Riely: We are not asking you to consider the whole neighborhood, though we, of course, thoroughly agree with everything that you have said with regard to the water situation in Northern Virginia. What is amazing to me about this case is that apparently the position of the Fairfax County Water Authority is that not one additional square inch of Fairfax County can be taken and served by The Alexandria Water Company without the consent of the Authority because to do so would be contrary to the public interest. Now, it is perfectly apparent from Mr. Corbalis' testimony that the Authority will charge the customers more, charge the people who are building houses more, and I just don't see how that public interest can exist.

Now, the only point that they are raising is page 290] that every square inch of Fairfax County that is not now being served by the Company is logic to belong to the Authority because it is a public institution. That is all there is to it.

Commissioner Hooker: Is there anything else this witness wants to say?

Mr. Bauknight: This is interesting argument, but I would like for him to finish his statement.

Mr. Riely: You have been arguing the case.

Mr. Bauknight: I have been answering the Commissioner's questions.

Commissioner Catterall: That's my fault.

Commissioner Hooker: Do you have anything else?

Mr. Bauknight: Finish your statement.

Commissioner Hooker: As I understand your testimony — let's sum it up, and see if I'm correct. The sum of it is that you want to show that the Water Authority of Fairfax

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County is financially in a position to serve
page 291] this territory?

A. That is correct.

Commissioner Hooker: Anything else you have to say?

Mr. Bauknight: I would also like to offer his testimony as to the effect on the future financial ability of the Fairfax County Water Authority if you grant this certificate.

Commissioner Catterall: Well, he has made it clear that, if the Authority did have a certificate of convenience and necessity, the bonds would demand a better sale. That's perfectly obvious to you as a financier, is it not?

A. Yes, Sir. I don't think that the Authority is asking the Commission for a certificate, but I think they are asking the Commission to consider the fact that they are a public agent, created by the General Assembly of Virginia, and it is their governmental responsibility to serve all of the areas shown
in light blue. It's no one else's, it's theirs,
page 292] and they cannot do financial planning and make
projections, and, as the engineers pointed out, have extension plans and capital investment plans in this light blue area as they grow and fulfill their governmental responsibility, if, as a routine matter, a private water company can bite off, chunk after chunk after chunk, of its territory where they are attempting to do their job.

An adverse decision of the Commission, in this case, in my opinion, would have a substantial adverse effect on the County's future ability to finance, not just so much this area itself, presently sparsely settled, it's going to affect the revenues of the Authority that they have been receiving; but it's the concept that the Authority would be subject to competition on a routine basis —

Commissioner Catterall: Well, I think you have made your offer of proof.

Mr. Bauknight: May it please the Commission, we have
quite a voluminous record already, and I submit
page 293] that it would take but a few more minutes to let
this witness finish his statement.

Commissioner Hooker: Well, he has stated in the record exactly what his testimony means.

Mr. Bauknight: May I request that the witness be permitted to finish his statement?

Commissioner Hooker: How long is it going to take? Have you got anything additional to add to your answer to my question?

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Mr. Bauknight: How long will it take to finish your statement which you —

Commissioner Hooker: Let him answer my question.

A. Your question was?

Commissioner Hooker: Have you got anything to add to the answer you gave to my question?

A. As to the financial ability?

Commissioner Hooker: And if that wasn't the gist of what your testimony meant?

A. Yes. I was here to testify that the Authority page 294] is presently able, financially, and willing to serve on a projected basis the entire areas shown in blue on this map, and that the impact of an adverse — of a decision in this case against the Authority is one which will hamper and hinder this governmental agency's ability in the future to carry out their responsibility in this area and their program.

As a matter of fact, in the testimony that was given last evening, many of the major bondholders, United States Trust Company —

Mr. Riely: I object to this, Your Honors.

Mr. Bauknight: I don't think you need refer to that. We have some letters.

A. The impact of it is that — I would just like to state my opinion that, considering this very carefully, it is my opinion that approval of the Company's application would have a substantial adverse effect upon the Authority's credit standing and future ability to accomplish revenue bond financing. This would be caused by loss of confidence in the Authority's ability to carry out its objectives and its govern- page 295] mental responsibilities of developing a comprehensive water supply system in a protected present and logical future service area. The rating agencies and potential investors in the Authority's revenue bonds will have reason to question the validity of the Authority's financial planning, and its projected estimates of revenue, if, as a matter of routine, any private water company may obtain approval of an application for expansion of its certificated service area at the Authority's expense.

Commissioner Catterall: You are not using the word "routine," of course, in the sense in which Mr. Riely used it in his opening statement?

A. Well, if it is —

Commissioner Catterall: You are saying that if they can

grab it off for the asking. That is the way you are using the word "routine?"

A. Yes.

Commissioner Catterall: What Mr. Riely meant
page 296] by "routine" was that this case is like all of the other cases that have come up in the Commonwealth of Virginia.

Mr. Riely: And particularly those that have come up for this Company, of which there have been several in advance of which the Authority knew.

Commissioner Catterall: So you see the difference in the word "routine."

A. I understand that.

Commissioner Catterall: I don't want to confuse the Court of Appeals. Although it is the same word, it is with a different meaning.

A. In conclusion, I think that, if the decision of the State Corporation Commission of Virginia in this case is in favor of the Company, and against the Fairfax County Water Authority, the conclusion that will be drawn by institutional investors with respect to their consideration of Virginia public agencies, is that they are weak with respect to their ability to compete with privately owned water
page 297] companies, because the State Corporation Commission, despite the fact that a public agency proved readiness, ability and willingness to provide service, would give the area involved to a private water company.

Also such a decision would appear to be in direct conflict with the legitimate public purposes and functions of the Board of Supervisors of Fairfax County and its agent, the Authority, all in accordance with the enabling legislation.

Mr. Bauknight:

Q. Does that complete your statement?

A. Yes, Sir.

Mr. Bauknight: Thank you very much.

Commissioner Hooker: Stand aside.

Witness stood aside.

Mr. Bauknight: May Mr. Gray be excused?

Commissioner Hooker: You may be excused.
page 298] Mr. Bauknight: Mr. La Frankie.
Mr. Riely: Calling Mr. La Frankie.

JAMES LA FRANKIE,
a witness called by Mr. Bauknight, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Mr. La Frankie, will you state your name, address and occupation, please?

A. James La Frankie. I reside at 5924 Jane Way, in Fairfax County. I am presently Manager of The Alexandria Water Company.

Q. Mr. La Frankie, as Manager of the Alexandria Water Company, are you familiar with the policy of the Company as expressed in its schedule of rates and regulations, on file with the Commission, so far as that schedule affects the extension of mains from your existing mains to the area of a developer seeking service?

A. I am.

page 299] Q. What is the policy in that schedule on that subject?

A. When the subdivision lies detached from the existing transmission mains, it refers to an anticipated revenue versus the cost to extend those facilities. The rules and regulations refer to the anticipated revenues versus the cost to extend mains to serve the facility.

Q. Is the developer required to advance any of the cost of the construction of that main?

A. There is an estimate. The usual procedure is that an estimate is determined to serve the facilities required, and he is then reimbursed according to the revenue received upon occupation by bona fide consumers.

Q. Does the developer have to advance the cost of construction, subject to this reimbursement?

A. Within the subdivisions —

Q. Outside of the subdivisions — in connecting your main to the subdivision, the external main. Let me get specific.

page 300] With regard to the Steinberg property, which has been discussed here, how far is your existing main from the Steinberg property?

A. I would just estimate approximately two to three miles probably.

Q. Fifteen thousand?

A. It might be fifteen thousand feet.

James La Frankie

Q. Now, if Mr. Steinberg obtains service for his subdivision from the Company, will Mr. Steinberg, under your policy, have to advance the cost of construction of the line which will run from your existing main to his property?

A. This has not been determined because what we would do, Mr. Bauknight, is take a look at the overall projected area and attempt to size the facilities. If Mr. Steinberg would come to us tomorrow, with pipes in our present location, I don't know what the decision would be.

Q. Wouldn't your policy govern the decision, your schedule?

A. In this particular case I don't believe it would.

Q. Well, you mean you don't know what

page 301] size main you would require?

A. That is correct.

Q. Let's assume Mr. Steinberg is the only developer requiring service, and he is fifteen thousand feet from your existing main.

A. Following past practices, we would probably sit down with Mr. Steinberg and ask him to pay, for a deposit, a representative size of the pipeline, and, in all probability, we would install a larger size facility to look at the future of the area.

Q. Now, let's again assume that the size main required just to serve Mr. Steinberg is a twelve inch main. Wouldn't Mr. Steinberg have to advance to the Company the cost of installation of the twelve inch main?

A. We, generally, regulate the size and establish it at eight.

Q. At eight. Well, answer my question, if you would.

A. He would.

page 302] Q. He would have to advance the cost of whatever main you determined was the main required to serve only his property?

A. Right; if this was the only area to be considered, right.

Q. Now, assume an eight inch main, on Mr. Steinberg's property. What would be the cost that he would have to advance to you for the installation of fifteen thousand feet of eight inch main?

A. Five dollars per foot, I would estimate.

Q. Which is seventy-five thousand dollars?

A. If we are going to determine costs, Mr. Bauknight, I think we should look at the distance involved. You said

fifteen thousand feet, and I agreed. I have not looked at the map that closely. Five dollars a foot, we are talking about a lot of money.

Q. At any rate, the point I would like to have you address yourself to, if you extend a main to the Steinberg
page 303] property from your existing main, under your schedule, Mr. Steinberg will have to advance to the Company the cost of installing whatever size main is determined to be the proper main to serve his property solely; is that not correct?

A. If there was no other interest involved in the area.

Q. I am assuming now that there is no other interest.

A. Then I would say it would be very doubtful that we would extend an eight inch water main just for one particular area. We have found in the past that our twenty-four inch transmission facilities, and so forth, that we have installed to serve areas such as King's Park, they have been financed by the Company, with no contribution by the developer, because we were looking at the totality of the area, and we found that these facilities were a requirement.

Q. If Mr. Steinberg is your only applicant.
page 304] A. In the case you are making, if Mr. Steinberg is the only applicant requesting a long eight inch pipeline to get to his property, I would say that we would ask him to make a deposit for that pipeline. This is without having had any discussion with Mr. Steinberg regarding such an instance, because we have not been into the financial expansion of the territory until this Commission makes the decision.

Q. Now, if Mr. Steinberg is but one of the applicants, and all these other people that you have on your map are also interested in service, but Mr. Steinberg is the first one who has to have the service there — do you follow me?

A. Yes, Sir.

Q. Now, in determining the service to Mr. Steinberg under your schedule, would you not consider these other developments which you think would take place in the area?

A. Yes, we would.

Q. And you would make your proposition under your schedule with Mr. Steinberg, based on service only to
page 305] him, but considering what you think is going to happen?

A. Yes, we would.

Q. And, in considering what you know in this area — and

you, obviously, have plans to go in there or you wouldn't be here today — in considering your service to this area, and Mr. Steinberg is the first one to actually get the service, you would install a line, would you not?

A. Yes, we would, a much larger line than what we have been discussing.

Q. And Mr. Steinberg would have to advance the cost for Mr. Steinberg, and some of the other developers would have to get together and advance it, would they not?

A. Some portion of that particular pipeline, which may be as large as twenty-four, or thirty inch, in size.

Q. You would take care of the size to serve in excess of their requirements?

A. Right; if no other developer prior to Steinberg — we are in an odd position, Mr. Bauknight, in which
page 306] we cannot go to the developers, as the Authority does, on front footage requirement, availability charge, and so forth, and require them to make some deposit to us. We must ask those two or three developers to come to us of their free will and say "We are going to proceed with this development" and offer to sit down and negotiate some contribution, refundable contribution.

Q. But, under your schedule, you don't have to extend service unless they make a contribution in advance, do you?

A. Rates and regulations state that the relationship between revenue and cost to make service available are in proportion to three and a half years' estimated revenue per customer.

Q. You are not really just dependent upon the benevolence of the developer. If they want water service, under your schedule, they have to make the advance that you require?

A. And, as they stated, they have been very happy to do so in the past, —

Q. I did not ask you that.

page 307] Mr. Riely: Let him answer the question.

Mr. Bauknight: It is not responsive to it. May it please the Commission, I have no objection for the witness to explain his answer as long as he will answer, first, the question asked.

Commissioner Catterall: He did answer.

Commissioner Hooker: Answer, and then explain.

Mr. Riely: He did answer. Mrs. Wooton, read it, please.

James La Frankie

Note: Question read as follows:

Q. You are not really just dependent upon the benevolence of the developer.

Mr. Bauknight: Let's start over again.

Q. You are not just really dependent upon the benevolence of the developer. If the developer wants to get water, he has to comply with your schedule?

A. Certainly.

Q. And, if he doesn't comply with your schedule, he doesn't get water?

page 308] A. He has recourse to the State Corporation Commission.

Q. If he doesn't comply with your schedule, do you think the State Corporation Commission is going to make a deviation in this schedule?

A. They will make us comply with the schedule.

Q. Yes; but, if you comply with the schedule, he still has to make this advance in order to get the service, does he not?

A. Yes, he does.

Q. And the cost of an eight inch main, I believe you said was about five dollars a foot?

A. Yes.

Q. You would not run your main any less than eight inches, would you?

A. No, I would doubt it.

Q. This is a minimum for fire protection?

A. No; six inches.

Q. Six inches is a minimum for fire protection.

page 309] A. Well, eight inches —

Q. Is a minimum size. Now, approximately, what would be the cost if you determined that the main developer must reimburse you for a twelve inch main — approximately?

A. Oh, seven dollars a foot.

Q. Do you know approximately how far your main is from the Richmarr property?

A. No, I don't, Bill, but, by looking at the map, I think I could readily determine that. This is the reason, in past testimony, it was brought out that the Authority's twelve inch mains would not be sufficient to serve this entire area. A twelve inch pipeline is not going to do the job, no more than

our twelve inch in the vicinity of Red Fox. The thirty-six inch pipeline of The Alexandria Water Company in the VEPCO right-of-way is the only logical source of supply for this particular area.

Mr. Bauknight: Now, may I ask the Commission to instruct the witness to be responsive to my question? I
page 310] did not ask him anything about that. If Mr. Riely wants to bring that out, I have no objection.

Commisioner Hooker: Just ask the question over. It would be quicker than having to reread it back, I guess.

Mr. Bauknight: My question simply — I don't know how the exact question was, but it did not have anything to do with that. I will go ahead with another one.

Commissioner Hooker: Answer his question, and then, if you want to make an explanation, you can do so.

Mr. Bauknight: That will be perfectly fine.

Q. Under the Company's schedule that expresses the Company's policies, the developer, in these instances, would have to make an advance, subject to reimbursement; correct?

A. That's right.

Q. Now, when the Company makes these reimbursements, is not the cost of the reimbursement included in
page 311] its expenses, upon which its rate is based?

A. Included in its expenses.

Q. Is not the reimbursement to the developers, under this schedule, where you have lines inside the subdivision, and lines outside the subdivision?

Mr. Riely: If it please the Commission, this is —

Commissioner Catterall: That's a pure question of law, and would not be expenses that would be comparable improvements.

Mr. Riely: It is an accounting question —

Commissioner Catterall: It is not an expense.

Mr. Bauknight:

Q. Let me ask you this: Where does the Company get the money with which it pays back these developers?

A. I would say — answer it the same as the other developers, I have no idea.

Q. You don't know where the Company gets the funds,

which it reimburses the developers?

page 312] A. No.

Q. It's in the Company's revenues, isn't it?

A. It's in the Company's revenues that are taken in. It possibly might be the money which the developer deposited with the Company, — the Company having — if I may proceed — having already proceeded to purchase the pipe and the labor to install the facilities.

Commissioner Catterall: So wherever you get the money from, the Commission is going to make you count that as capital, and not as expense, because that makes a big difference in the rate.

Mr. Bauknight:

Q. You don't know exactly how far it is to the Steinberg and Richmarr properties? I think you testified you did not.

A. I can take a look at it.

Q. It's on the map, and the map's at scale. Have you made any proposition or any agreement or any negotia-

page 313] tion with Mr. Steinberg or with Mr. Kirstein, of Richmarr, on the actual service to their areas which is any different than the Company's schedule?

A. No, we haven't.

Mr. Bauknight: I have no further questions.

CROSS EXAMINATION

By Mr. Riely:

Q. Mr. La Frankie, as I understand, if more than one, several developers come to you, you estimate the annual revenue from the developers; is that correct?

A. That is correct.

Q. And you multiply that by three and a half times; is that correct?

A. That is correct.

Q. And under your filed terms and conditions, you are obligated to expend that sum on extensions; is that correct?

A. On anticipated revenue, that's right.

Q. So that there is no requirements for any

page 314] deposit under your filed terms and conditions, unless the estimated cost of the extension exceeds three and a half times the estimated annual revenue you

produce from it; is that correct?

A. This is correct in theory that it is entirely possible there could be no deposit in the end result.

Q. Now, it is equally true, is it not, that if a developer did not like your filed terms and conditions, he could go to the Commisison and start a rate case, and get a change?

A. I assume so.

Q. Mr. La Frankie, much has been made in this hearing over agreements between the Authority and the Town of Vienna, and the City of Fairfax, and others about delineating service areas. Has the Alexandria Water Company ever offered to delineate a service area with the Fairfax County Water Authority?

A. Many times in the past three or four years.

Q. Has the Fairfax County Water Authority ever negotiated on that?

page 315] A. Only to the extent of the agreement we entered into regarding the Mount Vernon Service Area.

Q. But not the area in which we are now considering in this case?

A. No, Sir.

Q. That's for future use?

A. Yes, Sir.

Mr. Riely: Thank you. That's all.

RE-DIRECT EXAMINATION

By Mr. Bauknight:

Q. Mr. La Frankie, Mr. Riely asked you about negotiation with the Fairfax County Water Authority?

A. I'm sorry.

Q. And your answer was that there had been no negotiations. Do you know whether the Company has negotiated with the Board of County Supervisors, or its representatives, for delineating services?

A. Yes, I do; we have.

Q. Do you know whether that negotiation is still going on, to the best of your knowledge?

page 316] A. To the best of my knowledge, it is.

James La Frankie

Mr. Riely:
Q. There has been no agreement?
A. There has been none.

Commissioner Hooker: Stand aside.

Witness stood aside.

page 317] Mr. Bauknight: If it please the Commission, I would like to pass to the file, over Mr. Riely's objection, —

Mr. Riely: So stated.

Mr. Bauknight: For identification of these:

A telegram addressed to Mr. James J. Corbalis, Jr., signed by Everett R. Enck, Sr., Vice President and Investment Officer, Meadowbrook National Bank.

Not for the purpose of testifying, but I'm just going to point out the substance of this. The telegram, in substance, is that Meadowbrook National Bank, as paying agent and substantial holder of Fairfax County Water Authority bonds, wish to enter a vigorous protest in opposition to this application.

Franklin National Bank, signed by Mr. Kurtz, Assistant Vice President, states that it is Franklin National Bank's understanding that the County Water Authority page 318] is created for the purpose of establishing a comprehensive Countywide water system, and "It seems to us that the expansion of privately owned water systems would be at variance with this purpose," and they oppose the extension.

United Services Life Insurance Company:

"We feel that every effort should be made by your Authority to defeat such a proposal" for the extension of the area, "believing that it would adversely affect your credit standing and your future financial borrowing ability."

United States Trust Company of New York, the largest trust company in the Country:

"In this era of obvious need for comprehensive countywide systems for the conservation and development of water resources, it is unthinkable that any State Commission, acting

in good faith with the people, the bondholders
page 319] and the overall good of the State would operate
in a manner counter to these factors."

These are much fuller than the excerpts I am giving, and I trust the Commission will read them.

Commissioner Catterall: You can keep those, and use them in the condemnation, because a much larger territory is there involved.

Mr. Bauknight: The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut, which oppose the expansion:

"As bond holders, we are concerned with any loss to the Authority of potential water customers."

Boston Safe Deposit and Trust Company, Boston, Massachusetts, states:

"Are there any other detracting possibilities along these
lines or any other that may affect our present
page 320] bond holdings? Such things not only detract from
the marketability of our present holdings but
may reduce the future financings and the interest generated by size and clean, clearcut security."

Maryland National Bank, Baltimore, Maryland:

"Should this application be approved, our willingness and the willingness of other investors to purchase future bonds of this type in the State of Virginia would certainly be seriously impaired, and we feel that borrowing costs for various Virginia instrumentalities might be raised by such action."

These letters are passed to the file. They are all from bondholders of the existing County Water Authority bonds and represent holders holding approximately eight million dollars
in bonds.
page 321] Mr. Riely: I wish I had known that Mr. Bauk-
night was going to do this. I would have gone to all the bondholders of The Alexandria Water Company, and gotten similar statements.

Commissioner Catterall: Well, we don't pay any attention to them.

Mr. Riely: Well, obviously, they are not —

Mr. Bauknight: May it please the Commission, I have a

request which I realize is straining your discretion some. There is one matter of tremendous import in this case, it seems to me, and that is the question of the Occoquan and the Potomac water. We have had considerable evidence about the Occoquan. We have had conclusions as to the availability of the Potomac, and its capacity. I would like to ask the Commission to indulge me very briefly to put Mr. Corbalis back on to give you the exact figures of the Potomac yield and demands on it. I think it is very material.

page 322] Commissioner Catterall: Let's recess five minutes.

Mr. Bauknight: And that will be my last witness.

Commissioner Catterall: But it won't be the last thing anybody said.

Mr. Riely: I would like to object to that.

9:25 A. M. Commissioner Hooker: Let's recess five minutes.

9:30 A. M. The Commission resumes its session.

Commissioner Hooker: Anything else?

Mr. Bauknight: I had the request that —

Commissioner Hooker: Put your witness on.

Mr. Bauknight: May I put him on?

Commissioner Hooker: Yes.

Mr. Bauknight: Thank you, Your Honor.

page 323] JAMES J. CORBALIS, JR., resuming the stand for further examination, testified as follows:

DIRECT EXAMINATION

By Mr. Bauknight:

Q. Mr. Corbalis, I believe you stated yesterday that you were concerned and active in the planning work going on to project the mains and the supply problems of the Potomac water supply source of the Potomac River?

A. Yes, Sir.

Q. Can you tell the Commission what the present yield of the Potomac River is, as of today?

A. I estimate it to be five hundred and six million gallons per day.

Q. Is this based on any recorded data?

James J. Corbalis, Jr.

A. Yes. This is based on the lowest flow of record which occurred in 1930, I believe.

Q. Is the Potomac now developed by any impounding for water supply purposes?

A. Only in an insignificant manner.

page 324] Q. Do you know what the present demand on the Potomac is, that is, in the Washington Metropolitan Area?

A. I don't have any figures to refer to, but it's my recollection it is in the neighborhood of two hundred and fifty million gallons a day.

Q. Now, have your Committees and Board's studies shown what the projected yield would be with proper impounding?

A. We have determined, in a preliminary way, the need will be in the order of eleven hundred million gallons or about twice the present yield of the River without impounding; and this need will occur, I believe, in the year 2000 or the year 2010.

Q. That is estimated by your Committee's studies to be sufficient to meet the demands up to 2010?

A. Yes, Sir.

Q. Now, have these studies devoted themselves to the various methods of impounding?

A. Yes, Sir.

page 325] Q. You, of course, can't say when the impounding will be put into effect?

A. No, Sir.

Q. Can you state whether the work towards studying and determining which plan is the feasible one, is going forward with emphasis?

A. Yes, there are several going forward with emphasis, and I think that questionably in a five year period of time the decision will be reached. As I testified here yesterday, I can't conceive of the Nation's Capital and environs being left without sufficient water insofar as the Potomac River supply is concerned.

Q. Is the Potomac River supply the only source of water for Washington, D. C.?

A. Yes, Sir. It appears to be the logical and most economically feasible source.

Q. Now, for The Alexandria Water Company to take water directly from the Potomac River, are there any considerations which would affect the location of that intake?

James J. Corbalis, Jr.

Q. Yes. The intake would have to be above the fall line, at Little Falls, in order to avoid salinity problems and pollution problems.

page 326] Q. And where is Little Falls in relation to the map of the Occoquan, on the River?

A. Roughly speaking, it's directly north and at the opposite end of Fairfax County.

Q. From the present source of the Company?

A. Yes. The mouth of Occoquan is in the southerly corner of the County, and Little Falls is at approximately the northerly corner.

Q. Is Little Falls near the point of River crossing for the water from the District of Columbia plant that the Authority now has?

A. Yes.

Q. That is shown on the exhibit?

A. Yes.

Q. West of the District of Columbia, isn't it?

A. Yes.

Q. Why do you say that water to be taken from the Potomac must be taken above Little Falls?

page 327] A. To avoid the problems of quality control, due to saline water, salt water, and to avoid the problems due to pollution. The River below that point is used as a receiving body for the sanitary and storm water waste of the major portion of the Metropolitan Area, and would, therefore, not be fit to use as a water supply.

Q. Did you mention the tidal consideration?

A. That is included in the salinity problem.

Q. If the Company did install an intake facility on the Potomac above Little Falls, in order to get that water to its service area, would the mains carrying the water go through undeveloped territory or territory already developed and served?

A. Territory already developed and served.

Q. What agencies serve the area which would be transversed by the Company's mains if the Company had such a main?

page 328] A. It would depend upon the routing. It would go through any of the following: The City of Falls Church, the Town of Vienna, the City of Fairfax, and Fairfax County Water Authority.

Q. Mr. Corbalis, did I understand you to say that the requirements in the year 2010 for Potomac water would be

eleven hundred million gallons a day or that the yield would be, with impounding, eleven hundred million gallons per day?

A. The requirements will be eleven hundred. Therefore, a yield would have to be provided for at least that much.

Q. And your Committees' studies indicate that, with impounding, that much yield could be obtained?

A. Oh, no question. Tremendous potential is available for developing yields far and above any conceivable need for water supply. The program of the corps of engineers, for example, includes flood control, recreational, and quality, flushing of the lower portion of the River to remove the pollution. All of this is in addition to needs for water supply; and there are ample sites in the Potomac Valley for

page 329] impoundments. You can impound as much water as is needed for any and all of these purposes.

Q. For how long?

A. Well, all of the studies are geared to a fifty year period of time, which is normal for this kind of planning.

Q. Do the studies indicate that the yield would be safe, even beyond this period?

A. Yes, Sir.

Q. How long beyond this period?

A. Well, nobody has gone beyond that.

Q. Are your Potomac planning committees composed of people from all the jurisdictions around the Metropolitan Area?

A. Yes, Sir.

Q. Maryland and Virginia?

A. Yes, Sir.

Q. Any representatives from Loudoun County?

A. Yes, Sir.

Q. Prince William County?

A. Yes, Sir.

page 330] Q. Now, are these groups aided by consulting engineers, qualified consulting engineers, as well as your own consideration?

A. Yes. We have just engaged a Board of Engineers, composed of Mr. Niles, who testified here yesterday; Dr. Abel Wolman, of Johns Hopkins University, who will be the Chairman of the Board; and additional members are Mr. Roy Ritter, of the firm of Whitman, Requardt and Associates, of Baltimore; and Mr. Richard Hazen, of the firm of Hazen and Sawyer, of New York.

James J. Corbalis, Jr.

Q. Prior to the engagement of this Board, did your committees have the benefit of the recommendations of any consultants?

A. Not consulting engineers; we had the benefit of a study made by the corps of engineers.

Q. The corps of engineers?

A. Yes.

Q. Did you say that the time period with which this group is concerned in its planning is fifty years forward?

A. Yes.

page 331] Q. Is that a usual and normal period for future water studies to cover or is it longer than that?

A. This is normal. Some more recent studies are projecting beyond that time. For instance, in the Delaware River Basin, they are talking about a hundred and fifty years in the future.

Mr. Bauknight: I have no further questions.

CROSS EXAMINATION

By Mr. Riely:

Q. Mr. Corbalis, the most recent study on the Potomac is the corps of engineers' study, which you mentioned yesterday, is it not?

A. Yes.

Q. There have been no particular projects approved or under construction, for which money has been appropriated on the Potomac yet?

A. No.

Q. Do you know when it is estimated that the demand from the Potomac will equal five hundred million gallons a day?

page 332] A. I don't have the figures with me, Mr. Riely. I would have to depend on my recollection. I think it's about 1976 or 1978.

Q. There are various methods of impounding that have been studied and suggested?

A. Yes.

Q. And they are the matters that are being considered by your committee?

A. Yes.

Q. Incidentally, the Honorable William O. Douglas is not on your committee?

A. No, Sir.

Mr. Riely: I have no further questions.
Mr. Bauknight: I have no further questions.
Commissioner Hooker: Stand aside.

Witness stood aside.

page 333] Mr. Bauknight: That completes our case, if it please the Commission.

Commissioner Hooker: Do you have any rebuttal?

Mr. Riely: No, Sir.

Mr. Bauknight: I would appreciate it if the Commission would consider the deposition which will be filed in a couple of days or so.

Also, I request permission to submit a Memorandum.

Commissioner Hooker: How much time do you wish?

Mr. Bauknight: Two weeks after receipt of the transcript.

Commissioner Catterall: Oh, you don't need the transcript to submit a Memorandum.

Mr. Bauknight: I was going to submit a complete Memorandum.

Commissioner Catterall: We are full of it right now.

Mr. Bauknight: By the time I get home, I will have lost it.

page 334] Commisisoner Catterall: My goodness, everybody here knows what has been said in the last day or two, and you know what we think is irrelevant, and I thought you had some cases.

Mr. Bauknight: I do.

Commissioner Catterall: But you claim it is not irrelevant, and you surely don't need to have this record written up.

Mr. Bauknight: I would not like to submit a Memorandum arguing the facts without the transcript. If the Commission feels that this would be an unreasonable request, then I would like permission to submit a Memorandum of law.

Commissioner Hooker: We will give you an opportunity to argue it this morning, and then submit your Memorandum of law.

Commissioner Catterall: Now is the time to argue, when it is fresh in everybody's mind.

Commissioner Hooker: Then you would not have a chance

to forget it before you got home.

page 335] Commissioner Catterall: I might also say that it has been argued for a day and a half.

Mr. Riely: I believe we've got all the argument we need.

Commissioner Hooker: We will be glad to hear your argument this morning, and then give you an opportunity to submit your Memorandum of law.

Mr. Bauknight: I would prefer, without an opportunity to organize the arguments in this rather voluminous and complicated evidence, involving a lot of expert witnesses, not to make an oral argument. If the Commission does not feel it reasonable for me to submit a Memorandum, after we receive the transcript, then I would request permission to file a Memorandum of law, and request two weeks within which to get that.

Commissioner Hooker: That's all right. You may have to July 1st. How about you, Mr. Riely?

page 336] Mr. Riely: I will either let you know whether I don't want to answer it or answer it in a week.

Mr. Bauknight: The first of July?

Commissioner Hooker: The first of July.

Mr. Bauknight: Thank you very much.

Commissioner Hooker: The Commission will take this matter under advisement.

page 337] COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION.

AT RICHMOND, JULY 9, 1965
CASE NO. 11235

Application of
THE ALEXANDRIA WATER COMPANY
For Amendments to Certificate under Utility Facilities Act

GRANTING AMENDMENTS TO CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

THIS application for amendments to certificate of public convenience and necessity was heard on June 11 and 12, 1965, and was taken under advisement. Appearing at the hearing were the applicant, by John W. Riely and E. Milton Farley, III, its counsel, the Board of County Supervisors of Fairfax County and Fairfax County Water Authority, Protestants, by Ralph G. Louk, Commonwealth's Attorney of Fairfax County, and Wm. C. Bauknight, Richard R. G. Hobson and

John F. Kay, Jr., their counsel, and the Commission by its counsel;

WHEREUPON, this matter now comes on this day to be finally heard and considered upon the application of The Alexandria Water Company and exhibits filed therewith; upon the intervention by the Board of County Supervisors of Fairfax County and Fairfax County Water Authority, Protestants; upon the testimony of witnesses at said hearing; upon exhibits introduced at the hearing; upon the entire record herein; and upon argument of counsel;

UPON CONSIDERATION WHEREOF, the Commission is of the opinion, for reasons set forth in the opinion of the Commission filed herewith, that the amendments to the certificate of public convenience and necessity applied for by the applicant, for certain additional territory in Fairfax County, should be granted; accordingly.

IT IS ORDERED:

(a) That amendments to the certificate of public convenience and necessity for Fairfax County be issued, pursuant to the provisions of the Utility Facilities Act, to The Alexandria Water Company, as follows:

page 338] (1) Amendment No. 9 to Certificate No. W-34f —same as Certificate No. W-34f, issued on September 27, 1963, but further subject to revised map No. 3, stamped received May 4, 1965, on which the territory is outlined by the solid black lines; which said Amendment No. 9 and revised map No. 3 attached thereto are to cancel and replace map No. 3 attached to Certificate No. D-34f, issued on September 27, 1963; and

(2) Amendment No. 10 to Certificate No. W-34f — same as Certificate No. W-34f, issued on September 27, 1963, but further subject to revised map No. 7, stamped received May 4, 1965, on which the territory is outlined by the solid black lines; which said Amendment No. 10 and revised map No. 7 attached thereto are to cancel and replace map No. 7 attached to Certificate No. W-34f, issued on September 27, 1963.

(b) That an attested copy of this order, together with Amendments Nos. 9 and 10 to Certificate No. W-34f, with maps attached, be sent to the applicant, in care of John W. Riely, Counsel, 1003 Electric Building, Richmond, Virginia, 23212; and that an attested copy of this order be sent to each

of the counsel appearing herein, Ralph G. Louk, Commonwealth's Attorney, Court House, Fairfax, Virginia, Wm. C. Bauknight and Richard R. G. Hobson, 3976 Chain Bridge Road, Fairfax, Virginia, John F. Kay, Jr., 1300 Travelers Building, Richmond, Virginia, 23219, John W. Riely and E. Milton Farley, III, 1003 Electric Building, Richmond, Virginia, 23212.

A True Copy

Teste: WILLIAM C. YOUNG
Clerk of State Corporation Commission.

page 339] Opinion, CATTERALL, *Commissioner.*

The Alexandria Water Company has been selling water in the City of Alexandria for more than a hundred years. As the population of Northern Virginia has grown, the demand for its services has grown, and the company now serves a large part of Fairfax County and a small part of Prince William County in addition to the city. Its present application seeks an extension of its certificated territory into an additional nineteen square miles of Fairfax County. There is no immediately foreseeable end to the expansion of the built-up area around Washington, and the flood of suburbanites is flowing toward the area in question. Real estate developers are about to build houses for them to live in and cannot proceed until they are assured of an adequate supply of water.

The last paragraph of §56-265.3 of the Code says:

"On application by any company, the Commission, after formal hearing upon such notice to the public as the Commission may prescribe, may, by certificate of convenience and necessity, allot territory for development of public utility service by the applicant if the Commission finds such action in the public interest."

In *Virginia Gas Distribution Corporation* v. *Washington Gas Light Company,* 201 Va. 370, the court had before it a case involving the allotment of territory for development, and what the court held in that case is the guide to our decision in this case. The court said (p. 375):

"The questions presented are largely factual."

page 340] The Commission's function is to decide whether the allotment is "in the public interest." The evidence introduced at the hearing shows beyond question, and we find as a fact, that the allotment of these nineteen square miles for development by the Water Company is in the public interest.

The only way in which this case differs from previous cases in which the Commission has allotted territory for development is that it involves a skirmish in the running battle between the Fairfax County Water Authority and the Alexandria Water Company. In *Board of County Supervisors of Fairfax County* v. *The Alexandria Water Company*. 204 Va. 434, the Authority persuaded the court that it was not the real party in interest in the County's suit to condemn part of the Water Company's property, and the Court of Appeals accordingly held that the State Corporation Commission has no jurisdiction to decide whether the proposed condemnation is or is not in the public interest.

The Water Authority now, however, asserts that we *should* consider whether condemnation of part of the Alexandria Water Company's property is or is not in the public interest, and, in support thereof, has filed a resolution of the Board of County Supervisors of Fairfax County urging us to deny the application on the ground:

"Whereas, the granting of said application of the Company may have an adverse affect [*sic*] upon the County in the condemnation proceedings which have been instituted by the Board to acquire certain properties of the Company, . . ."

The Authority's contention is that the public interest demands that it take over all private water companies in Fairfax County. It produced an expert who testified that public water companies are better than private water companies, and who pointed out that there will be a shortage page 341] of water in Northern Virginia fifteen or fifty years from now if something is not done about it in the meantime. It alleged that it will be easier to market the Authority's revenue bonds if the Commission gives it a monopoly in Fairfax County. Although these matters are outside the scope of the jurisdiction conferred on the Commission by §56-265.3 of the Code, we will comment briefly on the points urged upon us by counsel for the Water Authority.

The Water Company has plenty of water for the next ten or fifteen years. It is ready, able and willing to serve the ter-

ritory in question. It is better off than the publicly-owned water utilities in New York and New Jersey that are now running short of water in the year 1965. §56-265.3 does not compel us to ignore the needs of the consuming public in 1965 because of speculation over a possible shortage in 1980.

The Alexandria Water Company renders as good service as any publicly-owned utility. It is far and away the largest water company in Virginia. This Commission has issued certificates to 115 water companies. The Alexandria company sells twice as much water as the other 114 companies combined.

The law applicable to privately-owned public utilities forbids competition between them. The State Corporation Commission is required to draw the boundaries between utilities and to confine each to its own service area. Only thus can the public escape the expensive and inconvenient possibility of having two telephone systems in the same city or two electric companies seeking to serve the same community. The general Assembly has not seen fit to extend this wholesome principle to competition between private water companies and public water authorities, with the inevitable result that the Fairfax County Water Authority and the Alex-
page 342] andria Water Company are running a race to serve the real estate developments whose owners have expressed a preference for service from the Company. The Authority can serve them without the consent of this Commission, but the Company cannot. The Authority now asks us to forbid the Company to run this race.

The applicable statute as orginally passed, Acts of 1950, p. 1321, forbade the Authority to:

> "duplicate or compete with existing utilities."

That language would keep an authority from invading the certificated territory of an existing utility. By Acts of 1958, p. 538, the words "compete with" were repealed, so that the Authority may now lawfully compete with existing utilities. The Authority wishes to compete with the Water Company and asks us to forbid the Water Company to compete with it. The reasons of policy urged by the Authority should be addressed to the legislature and not to us. The fact that the legislature has authorized the Authority to compete with the Company necessarily means that the Company is authorized to compete with the Authority. The General Assembly has not given the Authority a territorial monopoly, and has not granted jurisdiction to this Commission to give the Authority the monopoly it seeks.

The Authority argues that the words "public interest" in §56-265.3 are not limited in time or space. On that premise we are asked to assist the County in its condemnation proceedings by refusing to give the Company what it would otherwise be entitled to under §56-265.3. In our opinion the success of the condemnation proceeding would not be in "the public interest" no matter how broadly that phrase is construed.

The Authority argues that we should consider not
page 343] merely the interest of the part of the public to be served in the 19 square miles: — that we should take into consideration the interest of all people who now live in Northern Virginia and who will be living there fifty years hence. Let us begin, then, by considering the interest of the citizens of Alexandria. The Authority proposes to acquire all the property of the Water Company *except* its distribution mains in the City of Alexandria. The Company would be shorn of its source of water. The amount, quality and price of the water consumed in the City of Alexandria would be forever determined by public officials of Fairfax County. The laws do not authorize this Commission to regulate municipal utilities, because the voters of the municipality elect the officers who operate them, and if the price of water is too high, the same people who pay the price will ordinarily benefit by a reduction in taxes. No such benefit could flow to the people of Alexandria and of Prince William. Condemnation of the Water Company's water supply cannot promote their interest.

The citizens of Fairfax are led to believe that water will be cheaper if they buy it from the Authority instead of from the Company. This result is unlikely. To be sure, the Authority pays no taxes; but that only means that the citizens of Fairfax will have to make up the amount of taxes now being received from the Company. Capital can be raised more cheaply by the Water Authority because the interest on its bonds is exempt from Federal income taxes and because it does not have to raise part of its capital by issuing stock. This advantage is balanced by the disadvantage that the Water Authority has to charge rates high enough to cover not only depreciation of the plant but to pay off the bonds as they come due. The function of depreciation
page 344] charges made by a private company is to keep the investment *intact*: — not to *liquidate* it by paying off its bonds and redeeming its stock.

Furthermore, when the Water Authority buys or condemns the plants of private companies it has to pay the present fair market value of the property, which is considerably higher

than the original cost. Rates geared to original cost are lower than rates geared to present market value. In addition, it must be borne in mind that water utilities receive large amounts of capital contributed by the consumers. A private company is not allowed to earn any return on contributed capital, but the Authority will have to issue bonds in the amount of that contributed capital, will have to pay interest on those bonds, and will have to pay the principal of those bonds. The large percentage of contributed capital in some of the private water companies taken over by the Water Authority is illustrated by the following figures:

Annandale Water Company had a $1,334,469 plant of which $899,576 had been paid for by the consumers. After subtracting the depreciation reserve of $161,171, the rate base on which the State Corporation Commission allowed a fair rate of return was $273,922. The cost to the Water Authority of acquiring this property was $1,472,106.

Pimmet Service Corporation had a net original cost rate base of zero. The Authority acquired this property for $552,000.

Fairfax Hydraulics Water Company had a net original cost rate base of $227,150. The Authority acquired this property for $1,340,282.

The Woodlawn Water Company had a net original cost rate base of $315,503. The Authority acquired this property for $1,503,271.

(The foregoing figures relating to the private companies are based on an examination of the companies' page 345] books and records by the accounting staff of the Commission. The costs of acquiring the properties are taken from the annual reports of the Water Authority.)

That the allotment of the territory for development is in the public interest was clearly proved by the Water Company's evidence. The reasons advanced by the County and its Water Authority for denying the application are based on predictions that are completely unconvincing. Necessarily, therefore, we grant the application.

DILLON, *Chairman,* and HOOKER, *Commissioner,* concur.

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AT RICHMOND, SEPTEMBER 7, 1965
CASE NO. 11235

APPLICATION OF
THE ALEXANDRIA WATER COMPANY

For Amendments to Certificate
under Utility Facilities Act

The Board of County Supervisors of Fairfax County, Virginia, and the Fairfax County Water Authority, having filed due notice of appeal in this case,

IT IS ORDERED that all of the original exhibits filed with the evidence, numbered and described as follows, be certified and forwarded to the Clerk of the Supreme Court of Appeals of Virginia to be returned by him to the Commission with the mandate of that Court:

EXHIBITS FILED WITH THE EVIDENCE:

A. Proof of notice.
1. Map, Fairfax quadrangle.
2. Projections of population and water requirements.
3. Engineering report.
4. Map, Fairfax County, Virginia.
5. Map, water service areas.
6. Map, existing water systems.
7. Agreement, City of Falls Church and Fairfax County Water Authority.
8. Agreement, Fairfax County Water Authority and Vienna, Virginia.
9. Agreement, Fairfax County Water Authority and City of Fairfax.
10. 1965-75 capital improvement program.
11. Resolution, Board of Supervisors of Fairfax County.
12. Map, The Alexandria Water Company Certificated Service Area Enlargements.
13. Map, Accotink-Pohick Sewerage Plant.
14. Experience record of B. J. Van Ingen & Co., Inc.

END

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CERTIFICATE

Pursuant to an order entered herein on September 7, 1965,

the original exhibits listed therein are hereby certified to the Supreme Court of Appeals of Virginia, to be returned by the Clerk thereof to this Commission with the mandate of that court.

It is further certified to the Supreme Court of Appeals of Virginia that the foregoing transcript of the record in this proceeding, with the original exhibits, contains all of the facts upon which the action appealed from was based, together with all of the evidence introduced before or considered by this Commission.

Witness the signature of Jesse W. Dillon, Chairman of the State Corporation Commission, under its seal and attested by its Clerk this 8th day of September, 1965, at Richmond, Virginia.

JESSE W. DILLON
Chairman
Attest: WILLIAM C. YOUNG
Clerk

CERTIFICATE

I, William C. Young, Clerk of the State Corporation Commission, certify that within sixty days after the final order in this case The Board of County Supervisors of Fairfax County, Virginia, and the Fairfax County Water Authority, by their attorney, William C. Bauknight, 3976 Chain Bridge Road, Fairfax, Virginia 22030, filed with me a notice of appeal therein which had been delivered to John W. Riely and E. Milton Farley, III, Electric Building, Richmond, Virginia, opposing counsel, to Counsel for the State Corporation Commission and to the Attorney General of Virginia, pursuant to the provisions of Section 13 of Rule 5.1 of the Rules of Supreme Court of Appeals of Virginia.

Subscribed at Richmond, Virginia, September 8, 1965.

WILLIAM C. YOUNG
Clerk

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A Copy—Teste:

H. G. TURNER, Clerk.

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