

Decision No. 20579

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
PALISADES DEL REY WATER COMPANY,)
a corporation, for a certificate)
that the present and future Public)
Convenience or Necessity require it)
to construct works, and to issue)
its stock.)

Application No. 15130.

Arthur W. Eckman, Melvin T. Dunlavy and
Louis Thomsen, by Arthur W. Eckman
and Melvin T. Dunlavy, for applicant.

BY THE COMMISSION:

OPINION

In the above entitled application Palisades Del Rey Water Company, a corporation, asks the Commission for a certificate of public convenience and necessity authorizing it to operate a public utility water system to supply consumers residing in a tract of land generally known as Playa Del Rey, comprising approximately 600 acres situated just south of and adjacent to Venice and lying within the City of Los Angeles. A rate for such service is also requested.

The Commission is further asked to authorize the company to issue \$500,000.00 of common stock for the following purposes:-

(1)	To acquire the present water system.....	\$255,730.32
(2)	To provide for and complete further additions and extensions.....	209,325.00
(3)	To provide for replacement of existing equipment and emergency.....	34,944.68
	Total.....	<u><u>\$500,000.00</u></u>

A public hearing in this matter was held before Examiner Williams in Los Angeles.

The application shows that Palisades Del Rey Water Company was organized on or about September 14, 1928, with an authorized capital stock of \$1,000,000.00, divided into 10,000 shares of the par value of \$100.00 each of common. It appears that the water system which the company proposes to purchase and hereafter operate as a public utility was originally installed in 1902 to supply water to a subdivision known as Playa Del Rey Townsite. The service rendered, however, has not been public utility in character. The application shows that the properties consist of two pumping plants which include a 14 inch well 209 feet deep, a 16 inch well 216 feet deep, and an 18 inch well 305 feet deep, together with pumping equipment, filters, chlorinating equipment, etc. Water is pumped directly from wells into the distributing system which comprises some 100,000 feet of cast iron pipe of 4, 6 and 8 inch diameter and about 260 services. All mains and service connections have been installed in accordance with the standards and specifications of the City of Los Angeles.

The company has filed an application with the City of Los Angeles for a franchise covering the area which it contemplates serving as a public utility. This application was approved by the Board of Public Utilities and Transportation of the City of Los Angeles on December 31, 1928, but as yet has not been finally authorized by the City Council. For this reason a preliminary certificate of public convenience and necessity only will be granted at this time.

The company proposes to issue its stock in payment for the water system. In support of this request Porter H. Albright, a consulting engineer, estimated the original cost as of November 30, 1928, at \$255,730.00, including the sum of \$14,500.00 for organization expenses, franchises and other intangible items. Mr. Albright testified that although the first installation had been made in 1902, the system recently has been entirely rebuilt, with the exception of one line to which no value had been assigned, so that the accrued depreciation to date would be very small. An estimate of the original amount was also made by F. H. Van Hoesen, one of the Commission's assistant engineers who arrived at a figure of \$224,099.00. It appears, however, that Mr. Van Hoesen's estimate includes \$2,000.00 as the market price of Lot 17, Block 55 in the company's pumping plant No. 1, whereas the company has decided to purchase, instead of Lot 17, a lot designated "Lot 19, Block 55," the market price of which is \$5,790.00 so that his total should be increased by the sum of \$3,790.00 to \$227,889.00.

The testimony shows that the principal difference between the two items lies in the allowances for intangible items and for overhead percentages.

The company also proposes to use stock proceeds to finance the cost of estimated additions and expenses. It reports that its expenditures from November 30, 1928 to March 1, 1929, will aggregate \$23,763.88 and from March 1, 1929 to March 1, 1931, they will aggregate \$209,325.00, all as shown in some detail in Exhibit No. 2. The company did not produce definite testimony on all the additional expenditures and it seems to us that after giving full consideration to the record in this matter, we should, at this time, authorize the company to issue \$228,000.00 of stock to acquire the existing system and \$23,800.00 to finance the cost of the expenditures to be made from November 30, 1928 to March 1, 1929, as set forth in Exhibit No. 2 and \$1,000.00 to provide working capital. Hereafter, if applicant finds it necessary to issue additional stock to finance construction expenditures, it can at that time make application for permission to do so.

Upon acquiring the properties applicant proposes to charge rates similar to those now charged by the Venice Consumers Water Company, a public utility supplying water in adjacent territory under like conditions. These rates appear to be reasonable charges for the service to be furnished by applicant and will be authorized in the following order.

ORDER

Palisades Del Rey Water Company having applied to the Railroad Commission for a certificate of public convenience and necessity and for an order authorizing the issue of \$500,000.00 of

stock, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted as herein provided, and that the company should be authorized to issue \$252,800.00 of stock, and that the issue of such stock is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that hereafter upon the filing of a certified copy of a franchise granted by the City of Los Angeles, it will make its order declaring that present and future public convenience and necessity require the exercise by Palisades Del Rey Water Company of the rights and privileges granted by said franchise, provided that the company file with the Commission a stipulation duly authorized by its Board of Directors declaring that it, its successors and assigns will never claim for said franchise a value in excess of the actual cost of securing it, which cost shall be stated.

IT IS HEREBY ORDERED that Palisades Del Rey Water Company be, and it is hereby, authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order the following schedule of rates, such rates to become effective upon the date that the Commission enters the order referred to in the last preceding paragraph;-

METER RATES

Monthly Minimum Rates:

5/8 by 3/4-inch meter-----	\$ 1.25
3/4-inch meter-----	1.75
1-inch meter-----	2.50
1 1/2-inch meter-----	3.50
2-inch meter-----	5.00
4-inch meter-----	10.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

1,000 cubic feet or less, per 100 cubic feet--	\$ 0.20
From 1,000 cubic feet to 5,000 cubic, per 100 cubic feet-----	.15
All over 5,000 cubic feet, per 100 cubic feet-----	.10

Any consumer is entitled to metered service upon application therefor and the utility may meter any and all service connections.

FLAT RATES

Water for Construction or Building Purposes:

For each thousand bricks, laid, including wetting--	\$ 0.10
For cement walk, each 100 square feet-----	.15
For cement curb, each 100 lineal feet-----	.30
For 100 square feet of 6" concrete pavement-----	.22
For 100 square feet of 6" concrete gutter-----	.24
For 100 square feet of 8" concrete pavement-----	.23
Per barrel of cement for all other purposes-----	.06
Per 100 square feet for wetting subgrade for asphalted pavement-----	\$.03
Per 100 square feet of oiled roadway-----	.05
Per 100 square feet of trench settling-----	.50

For settling fills, water will be estimated at one-third of volume of fill and billed at meter rates.

Street sprinkling water will be based upon tank measurements and billed at above meter rates.

IT IS HEREBY FURTHER ORDERED that Palisades Del Rey Water Company be, and it is hereby, directed to file with the Railroad Commission within thirty (30) days from the date of this order for approval, rules and regulations governing the distribution of water to its consumers, said rules and regulations to become effective upon their acceptance by the Commission.

IT IS HEREBY FURTHER ORDERED that Palisades Del Rey Water Company be, and it hereby is, authorized to issue and sell at par for cash \$252,800.00 of its common capital stock and to use the proceeds for the following purposes:-

1.	To acquire the present water system referred to in the foregoing opinion for	\$228,000.00
2.	To provide for and to complete the additions and extensions set forth in Exhibit No. 2....	23,800.00
3.	To provide working capital	1,000.00
	Total.....	<u><u>\$252,800.00</u></u>

IT IS HEREBY FURTHER ORDERED that the application insofar as it relates to the issue of \$247,200.00 of stock be, and it hereby is, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a

part of this order.

2. The authority herein granted to issue stock shall never be urged by applicant before this Commission or any other court or public body having jurisdiction as a measure of value of the properties referred to in the foregoing opinion, for the purpose of fixing rates or for any purpose other than this transaction.
3. The authority herein granted shall become effective twenty (20) days from and after the date hereof.

DATED at San Francisco, California, this 12th
day of January, 1929.

Thor S. Lovell

C. Seavey

Leon Whitell

M. J. Cane

Commissioners.