

ORIGINAL

Decision No. 25167

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ESTATES WATER COMPANY, LTD.,)
a corporation, for a certificate of)
public convenience and necessity and)
an order authorizing the issue of)
stocks and securities.)

Application No. 18227

Edward E. Gray for applicant.

BY THE COMMISSION:

O P I N I O N

In this application as amended at the hearing had on August 24th before Examiner Rankhauser, Estates Water Company, Ltd. asks the Commission to declare that public convenience and necessity require it to construct, maintain and operate a public utility water system in the territory hereafter described. It further asks that the Commission enter its order authorizing it to issue \$51,000.00 of common capital stock and establish the rates which it may charge for water service.

Estates Water Company, Ltd. is a corporation organized under and by virtue of the laws of the State of California for the purpose, among others, of engaging in a public utility water business. Its Articles of Incorporation recite that the corporation -

*****contemplates and plans as one of its major purposes to secure and own certain water rights and certain pipelines now existing and established in that certain locality generally known and designated as the Red Hill District, the same being practically coterminous with the Cucamonga Basin and situate a short distance east of the northern portion of the City of

Upland in said San Bernardino County, together with a large reservoir now constructed thereon and other apparatus and portions of the distributing system or systems now established in that immediate locality. That primarily this corporation is established for the purpose of serving the lands upon which said reservoir and the principal portions of such distributing systems and apparatus are located, and which may for convenience be herein designated and described as the C. C. Hamilton lands and the lands of Red Hill Estates, Inc. That it is purposed by the owners thereof to divide the same into tracts and subdivisions and dispose of them to the public generally, and that accordingly, the primary purpose of this corporation is to serve the present occupants and owners of such lands with water for domestic and irrigation purposes, and to serve all others who may occupy or purchase lots or tracts therein. That thereafter it is contemplated that this corporation shall serve generally nearby residents and/or property owners to the extent that its resources reasonably permit, and that accordingly the aforesaid dedication is intended to be thus reasonably limited and restricted to such primary and secondary purposes, and in accordance with the rulings and regulations of the public authority having supervision thereof."

The Red Hills Estates, Inc. owns or controls a subdivision (79 acres) northeast of Upland in what is known as the Red Hill District. To promote the sale of lots, it has become necessary to install a water system to furnish domestic and irrigation water. A water supply has been obtained from what is known as the Hedges Well. This well is owned by Hedges Well, Inc., a mutual water company. Applicant proposes to buy 49-1/6 shares of stock of Hedges Well, Inc. The ownership of this stock will give applicant about 3,000,000 gallons of water a month. The well is located approximately one-half mile from the transmission mains of applicant and approximately ninety feet lower in elevation than applicant's 1,000,000 gallon storage reservoir.

C. C. Hamilton owns 120 acres of land supplied with water from this same well and has installed one-half mile of 10-inch main with a booster pump to raise the water to his land. Applicant has entered into an agreement with Hamilton, whereby it obtains the use of this pipe line and the booster pump to pump water into its reservoir located on an acre of land purchased at the northwest corner of the Hamilton property. For the use of this pipe line and booster pump,

applicant agrees to supply water as a public utility to the Hamilton lands, providing this application is granted. A copy of this agreement is on file in this application.

From the 1,000,000 gallon storage reservoir the water is distributed by gravity to the Hamilton lands and to the Red Hills Estates located a mile or so south.

At the present time there are only eight consumers obtaining water from this water system and no doubt the present water supply will be adequate for some years. However, other wells can be obtained in this vicinity and more water developed should it become necessary.

The properties which applicant intends to acquire through the issue of \$51,000.00 of common stock consist of the following:

Reservoir and site.....	\$11,000.
Pipe lines.....	12,000.
Installation costs, etc.....	7,000.
49-1/6 shares Hedges Well, Inc. Water Stock @ \$150 per share....	7,375.
Organization expenses and interest charges.....	<u>3,000.</u>
Total.....	<u>\$40,375.</u>

In addition there is to be transferred to applicant a franchise granted by the County of San Bernardino permitting it to lay its pipe lines on certain streets and roads, and also the lease from C. C. Hamilton and Josephine Hamilton, his wife, to which reference has been made. We do not believe that either the franchise or the lease have a value which should be capitalized through the issue of stock.

It appears that the water stock will be transferred to applicant subject to indebtedness of \$3,385.00, which it is allowed to pay out of proceeds from the sale of water. All other assets, according to the testimony, will be transferred to applicant free and clear of all indebtedness. Deducting the \$3,385.00 from the \$40,375.00 leaves a net cost of \$36,990.00. The order herein will authorize applicant

to issue \$37,000.00 of stock.

The rates which applicant will be permitted to charge for water service appear in the order following. We believe that under the circumstances of this case these rates are reasonable.

O R D E R

Estates Water Company, Ltd. having asked the Commission to enter its order as indicated in the foregoing opinion, the Commission having considered the request of applicant and being of the opinion that applicant should be permitted to issue \$37,000.00 of common stock, that the money property or labor to be procured or paid for by such issue is reasonably required by said applicant for the purpose herein stated, that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses, that this application insofar as it involves the issue of \$14,000.00 of stock should be dismissed without prejudice, and that in other respects this application should be granted as herein provided, therefore,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require and will require Estates Water Company, Ltd. to construct, maintain and operate a water system for the purpose of supplying water for domestic and irrigation uses to the area described in the foregoing opinion.

IT IS HEREBY ORDERED, that Estates Water Company, Ltd. be, and it is hereby, authorized and directed to file with the Commission within thirty (30) days from the date of this order the following schedule of rates to be charged for all service rendered consumers subsequent to the 12th day of September, 1932:

Domestic Use

Monthly Minimum Charge:

5/8 x 3/4 inch meter.....	\$1.50
3/4 " "	1.75
1 " "	2.50
1 1/2 " "	3.50
2 " "	5.00
3 " "	8.00

The foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water that monthly minimum charge will purchase at the following monthly quantity rates:

Monthly Quantity Rates

From 0 to 500 cubic feet, per 100 cubic feet....	\$0.30
" 500 to 1500 " " " " " " " "10
All over 1500 " " " " " " " "08

Irrigation Rate

Supplied only through a 2-inch meter or larger.

Monthly Minimum Charge:

2" meter.....	\$5.00
3" "	8.00
4" "	15.00

Monthly Quantity Rate

0 to 5000 cubic feet, per 100 cubic feet.....	\$0.10
5000 to 10000 " " " " " " " "075
All over 15000 " " " " " " " "05

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

IT IS HEREBY FURTHER ORDERED, that Estates Water Company, Ltd. be, and it is hereby, authorized to issue \$37,000.00 par value of its common capital stock for the purpose of acquiring the properties

referred to in the foregoing opinion free and clear of all indebtedness, except an indebtedness of \$3,385.00, which indebtedness applicant may assume.

IT IS HEREBY FURTHER ORDERED, that this application insofar as it involves the issue of \$14,000.00 of stock be, and the same is hereby, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED, that Estates Water Company, Ltd. shall keep such record of the issue 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.

IT IS HEREBY FURTHER ORDERED, that for all other purposes this order will become effective twenty (20) days from the date hereof.

DATED at San Francisco, California, this 12th day of September, 1932.

Cl Seavey
Leon Swadlow
W. A. Cunniff
M. B. Harris
Fred G. Stewart
Commissioners.