

Decision No. 25985

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA .

In the Matter of the Application of
LOS NIETOS WATER COMPANY for
(a) a certificate of public con-
venience and necessity; (b) the
fixing of rates.

Application No. 18773.

Bishop Moore, for applicant.

R. Crockett, for consumers.

Herbert A. Jewett, for Los Angeles
County Health Department.

BY THE COMMISSION:

O P I N I O N

Los Nietos Water Company, a corporation, asks the Railroad Commission for a certificate of public convenience and necessity to supply water to the inhabitants of Tracts Nos. 6251 and 10618, Los Angeles County, and for the establishment of a schedule of rates.

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

The testimony shows that originally this water system was installed approximately ten years ago for the purpose of aiding the sale of lots in Tract No. 6251 in the County of Los Angeles. Since commencement of operations, the water users have been required to pay a regular monthly rate varying from one dollar and twenty-five cents (\$1.25) to one dollar and fifty cents (\$1.50) per month. During the past ten years there have been several

transfers of this water plant, none of which have had the approval of the Railroad Commission although it is conceded that from its inception the water works had dedicated its facilities and service to the public use and was and now is a public utility under and subject to the control and jurisdiction of this Commission.

One Arthur A. Miller came into possession and control of this water works recently, together with all lands and facilities connected therewith, and has entered into an agreement with applicant herein to sell and transfer to it the entire water properties, accepting therefor a promissory note in the principal sum of fifteen thousand dollars (\$15,000) due on or before ten years from February 28, 1933, bearing interest at the rate of five per cent per annum, payable quarterly, secured by first deed of trust and chattel mortgage covering all plant and equipment. In view of the public utility status which undoubtedly has been imposed upon this water system prior to its transfer, applicant asks permission to amend the application to the end that the Commission may authorize the transfer of the properties and the execution of the note as outlined above.

Water is obtained from wells and elevated into storage tanks from which it is distributed to approximately 155 consumers through pipe lines ranging from two inches to ten inches in diameter. Easements and rights of way heretofore have been reserved for pipe line installation and no additional authority from the county is required at this time for franchises or other installation and maintenance permits.

The evidence shows that the water pressure now supplied by present facilities is inadequate and insufficient to provide good service and proper protection for sanitation and public health. In addition, the system has many dead-ended mains which

produce an unsatisfactory quality of water. These conditions must be remedied before the Commission is justified in issuing a certificate of public convenience and necessity. The improvements necessary will consist of increasing the pressure to not less than twenty-five pounds per square inch by raising the storage tanks, or by other acceptable means, and by the placing of valves upon all dead-ended pipe mains so that they may be flushed whenever the condition of the water demands. The purchasing company, through its representatives, has indicated its readiness and willingness to comply with these requirements.

The schedule of rates requested by the utility, while not unreasonable as to charges, indicates an improper spread in classification. The rates established herein should be fair and reasonable for the services to be rendered upon improvement of the distribution facilities. The certificate, together with the rate schedule, will be authorized only by supplemental order upon approval by the Commission of the improvements as hereinafter directed.

Referring to the financial aspects of this proceeding, it appears that applicant was organized under the laws of the State of California on or about December 19, 1928, with an authorized capital stock of twenty-five thousand dollars (\$25,000) divided into 250 shares of the par value of one hundred dollars (\$100) each, all common. Of the authorized stock there was issued at about the time of organization one thousand dollars (\$1,000) par value, all of which is outstanding and is held by the Omart Investment Company. It does not at this time seek permission to issue additional stock.

The company does seek the approval of the execution of a deed of trust and of a chattel mortgage to secure the payment of a fifteen-thousand-dollar (\$15,000) ten-year five-per-cent note, representing the purchase price of the water system it intends to operate. In support of this request, it alleges the present value of the water system to be purchased and constructed to be twenty thousand one hundred and seventy dollars (\$20,170), as set forth in some detail in Exhibits "I", "J" and "K" attached to the application and it represents, through the oral testimony of its witness, that Omart Investment Company is ready to take care of the fixed charges to arise through the issue of the note should such charges be unearned.

Copies of the deed of trust and chattel mortgage are filed with the Commission as Exhibit No. 8 and appear to be in satisfactory form. Ordinarily, the Commission is not inclined to authorize the issue of a note representing such a large proportion of the value of the properties, but in this case it clearly appears that public convenience and necessity will be served if Los Nietos Water Company acquires and operates the water system in the manner outlined in this application. An Order accordingly will be entered.

O R D E R

Los Nietos Water Company, a corporation, having made application as entitled above and amendments thereto, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises and being of the opinion that the money, property or labor to be procured or paid for through the issue of the fifteen-thousand-dollar (\$15,000) note is reasonably required for the purpose specified herein, which

purpose is 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 public convenience and necessity require that Los Nietos Water Company, a corporation, operate a water system to supply domestic and irrigation water in and to Tracts Nos. 6251 and 10618, Los Angeles County, subject to the terms and conditions hereinafter set forth.

IT IS HEREBY ORDERED that Los Nietos Water Company, a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to become effective only as set forth below:

MONTELY FLAT RATES

For each residence on one lot, including garden, lawn, shrubbery and trees-----	\$1.50
For each additional house on one lot-----	1.00
For sprinkling or irrigation of vacant lots, per square yard-----	.003

METER RATES

Monthly Minimum Charges:

For 5/8 x 3/4-inch meter-----	\$1.25
For 3/4-inch meter-----	1.50
For 1-inch meter-----	1.75
For 1 1/2-inch meter-----	5.00
For 2-inch meter-----	10.00
For 3-inch meter-----	20.00

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

Monthly Quantity Rates:

0 to 2,000 cubic feet, per 100 cubic feet-----	\$0.15
2,000 to 5,000 cubic feet, per 100 cubic feet-----	.10
All over 5,000 cubic feet, per 100 cubic feet-----	.08

IT IS HEREBY FURTHER ORDERED that Los Nietos Water Company, a corporation, file with the Railroad Commission, within thirty (30) days from the date of this Order, rules and regulations governing service to its consumers, said rules and regulations to become effective upon their acceptance for filing by this Commission.

IT IS HEREBY FURTHER ORDERED that the final authorization of the certificate of public convenience and necessity and the authority to charge the rates established in this Order shall not become effective except upon the installation by Los Nietos Water Company, a corporation, on or before the fifteenth day of July, 1933, in a manner satisfactory and acceptable to this Commission, of such improvements to its water system as will insure a pressure in its distribution mains of not less than twenty-five pounds per square inch and the installation of blow-off valves at or near the ends of all dead-ended pipe mains, and the approval of said installations by supplemental order herein.

IT IS HEREBY FURTHER ORDERED that Los Nietos Water Company, a corporation, be and it is hereby authorized to execute a deed of trust and chattel mortgage, substantially in the same form as those filed as Exhibit No. 8, and to issue a note to be secured thereby in the principal amount of fifteen thousand dollars (\$15,000), payable on or before ten years after the date of issue with interest at the rate of five per cent per annum, for the purpose of financing the purchase and construction of the water system referred to in the foregoing Opinion and in this application.

IT IS HEREBY FURTHER ORDERED that the Railroad Commission approves the transfer of the properties referred to in this

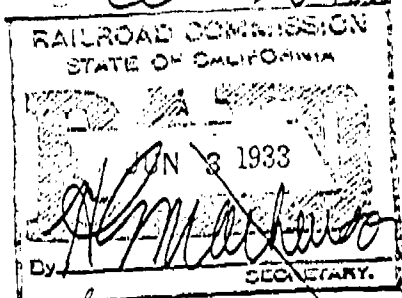
proceeding from Security First National Bank and Southern Development Company to Arthur A. Miller and from Arthur A. Miller to applicant Los Nietos Water Company.

The authority herein granted is subject to the following conditions:

1. Within sixty (60) days after acquiring the properties, Los Nietos Water Company shall file with the Commission (a) copies of the deed, or deeds, of conveyance, (b) a statement indicating the exact date upon which it acquired control of the water properties and commenced operating them, and (c) a statement such as is required by the Commission's General Order No. 24, showing the issue of the fifteen-thousand-dollar (\$15,000) note.
2. The authority herein granted to execute a deed of trust and a chattel mortgage is for the purpose of this proceeding only, and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said deed of trust and chattel mortgage as to such other legal requirements to which they may be subject.
3. The authority herein granted to issue a note and execute a mortgage will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is twenty-five dollars (\$25).

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 29th day of May, 1933.



Fee #

30107

[Signature]
[Signature]
[Signature]
Commissioners.