

Decision No. 33842

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of the LOS LOMAS WATER COMPANY, a
corporation, for a Certificate of
Public Convenience and Necessity,
for Permission to issue its cap-
ital stock and for approval of its
schedule of rates.

Application No. 23709

Paul E. Colegrove, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Los Lomas Water Company, a corporation, asks the Railroad Commission to grant it a certificate of public convenience and necessity to operate a public utility for the purpose of furnishing water for domestic and other uses in a certain subdivided property generally known as Los Lomas, located approximately three miles southeast of the city of Watsonville in Monterey County. Permission is requested to issue twenty-seven thousand two hundred sixty-two shares of its capital stock and the Commission is asked to establish a schedule of rates.

A public hearing in this matter was held in Watsonville before Examiner Stava.

In May, 1938, the John T. Porter Company, a corporation, commenced the subdivision of approximately 800 acres of land lying westerly of the main Coast Line of the Southern Pacific Railroad between Watsonville Junction and Salinas. This Company has conducted an extensive home-building program until at present there are approximately 50 houses built, or practically completed, in the subdivision.

A comprehensive water-works has been installed upon a basic design for the ultimate complete tract demand but with present facilities is adequate only to serve about one half of the total number of lots. The source of water supply is a 12-inch cased well formerly used for agricultural irrigation purposes. A new electrically driven deep-well turbine pump delivers water through a 6-inch pipe line into a 50,000-gallon redwood storage tank located at an elevation of 200 feet above sea level. A booster plant elevates water into a 25,000-gallon redwood storage tank located on a hill at an elevation of 350 feet supplying the highest zone. The distribution system consists of approximately 28,000 feet of mains, ranging from two to six inches in diameter. There are one special 2-inch irrigation service and 44 standard pipe connections supplying homes built or under construction. There are thirty-nine meters installed. Charges for water are now being made on the basis of the following schedule of rates, which Applicant requests the Commission to establish.

METERED RATES

Monthly Minimum Charges:

For	5/8 inch meters.....	\$1.75
For	1 inch meters.....	2.50
For	1-1/2 inch meters.....	4.00
For	2 inch meters.....	6.00

The foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water such monthly minimum charges will purchase at the following "Monthly Quantity Rate":

Monthly Quantity Rate:

First 1,000 cubic feet, per 100 cubic feet	\$0.175
Over 1,000 cubic feet, per 100 cubic feet	.10

Fire Hydrants:

Each, per month.....	\$3.00
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The evidence shows that the water system was installed and is now owned by the John T. Porter Company, a corporation, to which the stock of the utility, when authorized, will be issued in exchange for the said system. The plant was designed by and constructed under the supervision of The Loveland Engineers, Inc. Mr. Peter A. Menzel, an engineer representing the latter organization, submitted a report setting forth the fixed capital as of June 30, 1940, as \$26,762, and estimating the annual depreciation to be \$557.90, computed by the sinking fund method at 5%. This report also contained an estimate of results of operation based on the rates as proposed, showing a loss of \$693 per year for 50 consumers, but a net income of \$729 per year for 200 water users. A report was also presented by E. P. Foster, one of the Commission's hydraulic engineers, giving the estimated original cost of the water-works at \$24,484.27, as of October 1, 1940, and the corresponding depreciation annuity as \$440.67, computed by the sinking fund method at 5 per cent.

An analysis of the above appraisals shows a duplication in the overhead percentages applied to certain items in the appraisal presented in behalf of applicant, with the result that the sum of \$25,000, including allowance for cash working capital, may be taken as the fair and reasonable fixed capital investment for the purposes of this proceeding which includes the issuance of stock. In the Order which follows this Opinion, Applicant will be authorized to issue twenty-five thousand shares of stock of a par value of one dollar each instead of the twenty-seven thousand two hundred sixty-two shares requested in the application.

It appears that John T. Porter Company, in the year 1939, obligated itself to supply water for agricultural irrigation purposes to a certain parcel of land containing 6.43 acres of land lying

within the Los Lomas Subdivision. Water for irrigation of said parcel and an adjacent ten-acre tract heretofore has been furnished by said Company from the well which is to be transferred to and used by Applicant herein. However, insufficient evidence was presented at the hearing in this proceeding to determine whether or not any such obligation to continue the supply of irrigation water to these lands has been or will be assumed by Los Lomas Water Company. The record, however, does show that this well is capable of producing an abundance of water ample in quantity to provide for all reasonable present and immediate future demands. In the event water for agricultural irrigation purposes is furnished from the above well, suitable measuring devices should be installed and a proper record maintained of all such water deliveries.

The streets and roads in the subdivision have been dedicated to public use and the Board of Supervisors of the County of Monterey heretofore has granted permission to John T. Porter Company to lay and maintain water mains along the various county roads, the installation and maintenance thereof being subject to the approval of the County Surveyor. Upon the acquisition of the water system, Applicant will obtain a similar permit from the county authorities.

One consumer testified that at times the water served to his premises had a disagreeable taste and an unpleasant odor and very frequently was highly discolored. The evidence indicates that this condition has occurred occasionally and is the direct result of the present relatively small use of water from long reaches of dead-end pipe lines. Until the tract is more fully built up, provision for complete circulation of water throughout the distribution system will be too costly and impracticable. However, this difficulty may be eliminated largely at this time through the systematic flushing of all dead-end mains.

No protest was made against the granting of the certificate or to the proposed rates. Applicant does not expect nor should it be entitled to a fair net return upon its capital investment during the

initial development stage of its system operation. The schedule of rates proposed in general is fairly comparable to the charges in effect on other water-works operating under similar circumstances and conditions in this section of the State and will be fixed in the following Order with certain minor modifications necessary to conform with duly established Railroad Commission practice. The record shows that no other utility serves in this area and that water service is required in this subdivision. It therefore appears to be in the public interest that a certificate of public convenience and necessity be granted, and that the Applicant corporation should be authorized to issue sufficient shares of its capital stock in payment for the properties described in the application.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the construction, operation and maintenance of a public utility water system by Los Lomas Water Company, a corporation, within that certain subdivided area of eight hundred acres, more or less, of land lying about three miles southeasterly of the City of Watsonville, in the County of Monterey, as more particularly delineated upon the map entitled in part "Distribution System and Service Area of the Los Lomas Water Company," marked Exhibit "D," attached to the application herein, and which is hereby made a part of this Order by reference.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Los Lomas Water Company, a corporation, for the construction, operation and maintenance of a public utility water system in the territory hereinabove

described.

IT IS HEREBY FURTHER ORDERED that Los Lomas 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 be charged for all water service rendered to its consumers subsequent to the thirty-first day of January, 1941, which schedule of rates is hereby found to be just and reasonable for the service to be rendered.

SCHEDULE OF RATES

METERED SERVICE

Minimum Monthly Charges:

For 5/8 x 3/4 inch meter.....	\$1.75
For 3/4 inch meter.....	2.50
For 1 inch meter.....	3.50
For 1 1/2 inch meter.....	5.00
For 2 inch meter.....	7.00

Each of the foregoing "Minimum Monthly 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:

First 1,000 cubic feet, or less.....	\$1.75
Next 5,000 cubic feet, per 100 cubic feet.....	0.15
All over 6,000 cubic feet, per 100 cubic feet.....	0.10

Los Lomas Water Company, a corporation, having requested the Railroad Commission for an order authorizing it to acquire certain properties and to issue \$27,262 par value of its common stock in exchange therefor, and to pay organization expenses and provide working capital, the Commission having considered applicant's request and being of the opinion that the money, property, or labor to be procured or paid for through the issuance of \$25,000 par value of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part,

reasonably chargeable to operating expenses or to income, and that the request to issue the remaining \$2,262 par value of stock should be denied,

IT IS HEREBY ORDERED that Los Lomas Water Company, a corporation, be and it is hereby authorized to issue on or before June 30, 1941, at not less than par value, not exceeding \$25,000 of its common capital stock to finance the cost of the properties to be acquired from the John T. Porter Company, to pay organization expenses actually incurred and to provide working capital.

IT IS HEREBY FURTHER ORDERED that this application, in so far as it involves the issue of \$2,262 of stock, be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that Los Lomas Water Company, a corporation, be and it is hereby directed, as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval, quadruplicate sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet approximately 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the authorized service area; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the various tracts of land in the territory for which the certificate is granted herein. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service.
3. Within sixty (60) days from the date of this Order to file with this Commission an affidavit to the effect that it will never claim before this Commission or any other public body an amount for the

certificate of public convenience and necessity granted herein in excess of the actual cost of acquiring it.

4. To keep such record of the issue, sale and delivery 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-A, which order, in so far as applicable, is made a part of this Order by reference.

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 21st day of

January, 1941.

W. B. Baker
Raymond
W. C. Riley
Justin J. Cooney
Frank L. Havens
COMMISSIONERS.