

ORIGINAL

Decision No. 34182

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

LAKE GREGORY WATER COMPANY

for an order of authorization and permission, authorizing it to sell and issue shares of its capital stock in exchange for real and personal property and cash, and to issue to it a certificate of necessity and convenience and to approve the schedule of rates to be charged by it for the services rendered to the public.

Application
No. 24084

Rex B. Goodcell, for Applicant

BY THE COMMISSION:

O P I N I O N

Lake Gregory Water Company asks the Commission (a) to grant it under Section 50(a) of the Public Utilities Act a certificate of public convenience and necessity permitting it to construct a public utility water system in the area to which reference will hereafter be made; (b) to fix the rates it may charge for water, and (c) to authorize it to issue \$77,649 par value of stock for the purposes hereinafter stated.

Lake Gregory Water Company is a corporation organized on January 29, 1941, under the laws of California. It has an authorized stock issue of \$200,000, divided into 200,000 shares of a par value of \$1 per share. Applicant was organized pri-

marily for the purpose of acquiring and/or developing an adequate supply of domestic water for distribution to the residents of and owners of property situate within lands adjacent to Lake Gregory, situate in Section 23, Township 2 North, Range 4 West, S.B.B.&M., and all of said lands being embraced within Sections 23, 24, 25 and 26 of said Township and Range, and comprising a total of approximately 500 acres of land. About 177 acres of said land is now subdivided and approximately 85 cabins, or homes, are now situate thereon. The property is located in the San Bernardino Mountains about twenty miles from San Bernardino and eight miles or so west of Lake Arrowhead. At the hearing had on this application before Examiner Fankhauser on April 21st, P. E. Hicks, a civil engineer and a witness for applicant, testified that applicant was now seeking a certificate of public convenience and necessity to construct and operate a public utility water system in Tract No. 2143, Tract No. 1902, Tract No. 1863, Tract No. 2598, Tract No. 2616, Tract No. 2518 and Tract No. 2626. All of these tracts, except Tract No. 2626, a map of which has only recently been recorded in the Office of the Recorder in San Bernardino County, are shown on the map filed in this proceeding as Exhibit No. 1. The area to which P. E. Hicks testified is more limited than the area set forth in Exhibit D on file in this proceeding. The order herein will grant applicant a certificate to construct a water system to serve the tracts mentioned. If it becomes necessary for applicant to serve additional areas or tracts, it should file a formal application for permission to extend its service.

Some of the tracts to which reference has been made were subdivided several years ago. Most of the pipe lines are

laid on top of the ground, with the result that the water that is served through such pipe lines gets hot in the summer while no water is available in the winter, on account of the freezing of the water in the pipes. Applicant proposes to remedy this situation by installing a new water distribution system. By doing so, it will use some of the pipes that are now in place. The pipes which are now in place are indicated on the map filed as Exhibit 1. Said map also shows the location of six springs which applicant intends to acquire, rights of way, reservoirs, and new pipe lines which it will install.

In Exhibit E, prepared by P. E. Hicks, the present value of the distribution system and the water rights, which applicant intends to acquire, is reported at \$32,649, segregated as follows:

Engineering and Legal expense	\$ 3,000
Water Rights	22,743
Source of Water supply lands	2,463
Pumping Station and well site on lake shore	350
Rights of way for pipelines across non-subdivided lands	412
Land for reservoirs	289
Infiltration Galleries and Springs	264
Distribution mains and valves (Present Value)	2,043
Distribution Reservoirs	1,035
Fire Hydrants	50
	<u>\$32,649</u>

Applicant asks permission to issue to Walter E. Overell, its President, 3,000 shares of its common capital stock having a par value of \$3,000, in liquidation of the \$3,000 expended by applicant for engineering and legal expense. It further asks permission to issue to Redlands Security Company, 29,649 shares of its capital stock in exchange for the properties to which reference has been made. The Redlands Security Company, through foreclosure proceedings, became the owner of the water system

which applicant now intends to acquire and to reconstruct.

Applicant will acquire from Redlands Security Company the land on which six springs are located. P. E. Hicks, applicant's engineer, measured the springs during the Fall of 1940 after an exceptionally dry year and found they were producing 36 gallons of water per minute, or 4 miner's inches (M.I. = 1/50 sec. ft.). He estimates that by proper development they should produce under similar conditions 61 gallons of water per minute, or 6.6 miner's inches (M. I. = 1/50 sec. ft.). There are no other measurements of these springs available and weather conditions, with excessive rain during the winter months amounting to approximately 78 inches, precluded any measurements at this time that would be of value in determining a minimum of the springs' flow. Two of the springs have been used to supply water to cabins located on the subdivided area. P. E. Hicks assigns a value of \$22,743 to the 61 gallons of water per minute on the basis of \$14,568 for water now available and \$8,175 for water that can be developed by his proposed improvements. These values are based on the cost of developing water in a well near Lake Gregory or taking it from Lake Gregory and pumping it to applicant's service area. This results in a value based on conditions that do not exist. The water in the springs belongs to the land and some of it at least has heretofore and is now being used to aid the sale of land. For the purpose of this proceeding, we will recognize the cost of the land on which the springs are located, but not an additional cost for water rights.

In Exhibit C, also prepared by P. E. Hicks, the cost of reconstructing and enlarging applicant's water system is re-

ported at \$38,739. This amount is made up of the following items:

Building Structures	\$ 1,150
Well	1,050
Infiltration Galleries and Springs	2,125
Pumping Equipment	1,300
Distribution Mains and Valves	18,594
Distribution Reservoirs	5,500
Fire Hydrants	1,020
Service Connections	5,000
Miscellaneous Distribution Equipment	250
General Equipment	250
Undistributed Construction Expenditures	<u>2,500</u>
	<u>938,739</u>

The testimony shows that not all of this expenditure will be made this year. Applicant proposes to relay immediately its distribution system and to develop such springs as are needed to supply the present demands for water. The well and pumping equipment will not be installed unless the supply of water from existing springs becomes inadequate. The record shows that W. E. Overell, applicant's president, will purchase enough of applicant's stock so that it will be in a position to reconstruct, improve and extend promptly its distribution system.

In Exhibit J, applicant sets forth its proposed monthly flat rates, and in Exhibit K, its proposed monthly meter rates. The proposed monthly flat rate schedule carries a proviso reading as follows:

"Provided, that unless the monthly flat rate is paid yearly in advance and/or the consumer elects to use water for a time less than twelve consecutive months, then the company shall charge, and the consumer shall pay, a fee of \$2.00 to have the water shut off and a further fee of \$1.00 to have the same turned on again."

It is not customary for this Commission to approve a rate schedule which carries with it a fee to shut off water and a further fee to turn on water. We are of the opinion that this proviso

should be eliminated from the rate schedule. At the hearing, applicant amended its monthly minimum meter charge for 5/8" meters by reducing the amount shown in Exhibit K from \$2.50 to \$1.50. It is of record that applicant does not intend to install any meters unless it becomes evident that consumers are wasting water. The installation of meters should be optional with either the utility or the consumer. The order following will fix the rates that applicant may charge for water upon a more uniform basis conforming with standard practice. It also specifies the amount of stock applicant may issue and the purposes for which said stock may be issued.

O R D E R

A public hearing having been held on this application before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and it being of the opinion that this application should be granted subject to the provisions of this order, therefore

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY FINDS AND DECLARES that public convenience and necessity require and will require Lake Gregory Water Company to construct the public utility water system, shown in general on the map filed in this proceeding as Exhibit No. 1, and supply water for domestic and other uses to consumers in Tract No. 1863, Tract No. 1902, Tract No. 2143, Tract No. 2518, Tract No. 2598, Tract No. 2616, and Tract No. 2626,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is hereby, granted to Lake

Gregory Water Company to construct said public utility water system, and supply water in said Tract No. 1863, Tract No. 1902, Tract No. 2143, Tract No. 2518, Tract No. 2598, Tract No. 2616, and Tract No. 2626, provided that Lake Gregory Water Company will never claim before this Commission or any court or other public body a value for said certificate of public convenience and necessity in excess of the actual cost thereof.

IT IS HEREBY FURTHER ORDERED that until otherwise ordered, directed or permitted by the Commission, Lake Gregory Water Company shall charge for the sale of water in said tracts, the following schedule of rates:

MONTHLY FLAT RATES

Residences, including bath and toilet	\$1.50
Each additional bathroom .....	.25
Barbers and Beauty Parlors - one chair only	1.50
Each additional chair .....	.25
Each bath tub or shower .....	.25
Doctors or Dentists office	1.50
Stores and shops	1.50
Fire hydrants	1.50
<u>Construction:</u>	
For each 1,000 bricks laid .....	.25
Concrete sidewalks and floors - each 100 sq. ft. ...	.25
Concrete curb - per 100 lineal feet .....	.45
For other purposes, per barrel of cement or lime ...	.15
Graded streets, water used in settling streets - per 100 sq. ft. ....	.04

MONTHLY METER RATES

MONTHLY METERED QUANTITY RATES

0 to 500	Cubic feet - per 100 cubic feet	.....	\$ .30
501 to 2000	" " " " " "	.....	.20
2000 to 3000	" " " " " "	.....	.15
3000 to 10000	" " " " " "	.....	.12

MONTHLY MINIMUM CHARGE

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

5/8" Meters	.....	\$ 1.50
3/4" "	.....	2.00
1" "	.....	2.50
1-1/2" "	.....	3.00
2" "	.....	4.50
3" "	.....	10.00
4" "	.....	20.00

A meter may be installed on any service at the option of either the consumer or the utility.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days from the date of this order, Lake Gregory Water Company shall file with this Commission for its approval, in quadruplicate, sets of rates, 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" in size, delineating thereon 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.

IT IS HEREBY FURTHER ORDERED that within sixty (60) days from the date of this order, Lake Gregory Water Company shall file with this Commission four copies of a comprehensive map drawn to an indicated scale of not less than 600 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 shall 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.

IT IS HEREBY FURTHER ORDERED that Lake Gregory Water Company be, and it is hereby, authorized to issue and sell at not less than par, on or before June 30, 1942, \$48,645 par value (48,645 shares) of common capital stock for the following purposes:

- a. \$3,000 par value of stock may be issued to Walter E. Overoll for payment of engineering and legal expenses, as set forth in Exhibit E, on file in this proceeding.
- b. \$6,906 par value of stock may be issued to Redlands Security Company in payment for the properties described in Exhibit B and in Exhibit H.
- c. The proceeds from the sale of \$38,739 of par value of stock, or such amount of said proceeds as may be necessary, shall be expended to acquire and construct the properties described in Exhibit G.

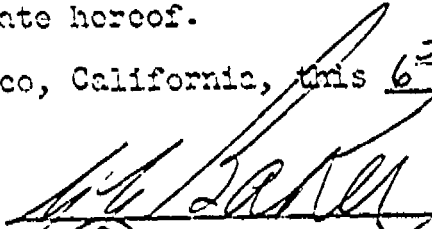
The Commission is of the opinion that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required by applicant for the purposes herein stated, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

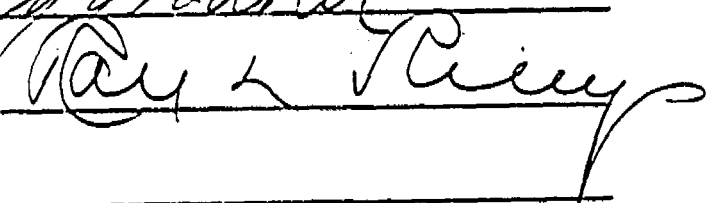
IT IS HEREBY FURTHER ORDERED that the Commission's General Order No. 24-A insofar as applicable is made a part of this order, and that Lake Gregory Water Company shall file with the Railroad Commission such reports as are required to be filed by said General Order No. 24-A.


IT IS HEREBY FURTHER ORDERED that Lake Gregory Water Company shall file with the Railroad Commission within thirty (30) days after the execution of the deeds conveying the aforesaid properties to said Lake Gregory Water Company, true and correct copies of the deeds executed.

IT IS HEREBY FURTHER ORDERED that except as otherwise provided herein, the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 6th day of May, 1941.







Commissioners.