

Decision No. 39093

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LAKEWOOD WATER AND POWER COMPANY
for a Certificate that Public
Convenience and Necessity requires
the extension of its water system,
and for authority to issue and
dispose of certain securities.

ORIGINAL

Application No.
27437

Sanner, Fleming & Irwin, by John Amos Fleming,
for applicant.

O P I N I O N

In this application, Lakewood Water and Power Company asks for a certificate of public convenience and necessity authorizing it to construct a public utility water system and supply water to consumers at its existing rates in the south half of lot 20 and all of lots 53, 54, 55 and 56 in Tract No. 8084 in Los Angeles County, and any re-subdivision designations of said lots as may now exist or hereafter be made. Applicant also asks permission to issue and sell to Montana Land Company, at par, 8,900 shares of its capital stock for a total consideration of \$890,000, and expend the proceeds for the purposes hereinafter stated.

Applicant is engaged in the distribution and sale of water to the public in that portion of Los Angeles County known as the Montana Ranch, owned by Montana Land Company.

The Commission heretofore has granted applicant certificates of public convenience and necessity⁽¹⁾ to construct and operate public utility water systems in Tracts Nos. 11425, 11881, 12664, 12551, 12773, 12894, 12925, 13000, 13001 and in lots 2, 4, 10, 11, 12, 35, 38 and the south half of lot 34 in Tract No. 8084, all in Los Angeles County.

For the year 1945 applicant reports operating revenues of \$104,077.06 and operating expenses of \$80,820.14, leaving a net revenue of \$23,256.92.

As of December 31, 1945, applicant reports assets and liabilities as follows:

<u>Assets</u>		
Fixed capital		\$377,998.72
Current assets		160,104.43
Cash and deposits	\$40,306.81	
Special deposits	104,816.88	
Accounts receivable	7,363.80	
Material and supplies	7,616.94	
Construction work in progress		9,249.50
Prepaid expenses		<u>296.56</u>
Total assets		<u>\$547,649.21</u>
<u>Liabilities</u>		
Capital stock		\$400,000.00
Current liabilities		55,736.74
Accounts payable	\$14,653.15	
Taxes accrued	12,076.24	
Consumers' advances for construction	29,002.35	
Donations in aid of construction		1,423.52
Reserve for accrued depreciation		42,309.35
Surplus		<u>48,179.60</u>
Total liabilities		<u>\$547,649.21</u>

(1) Decision No. 31132, dated July 27, 1938, in Application No. 22037
 Decision No. 32985, dated April 9, 1940, in Application No. 23270
 Decision No. 34597, dated September 23, 1941, in Application No. 24265
 Decision No. 36768, dated December 21, 1943, in Application No. 25880

Applicant reports that because of the limitations placed by the government on the cost of houses, and because of priorities, it has not extended its water system to all of the areas covered by the certificates of public convenience and necessity heretofore granted. It intends to proceed immediately with the installation of water systems to supply consumers in lots 2, 54, 55, 53 and 56. It estimates the cost of installing said water systems at \$426,313.47, segregated as follows:

Source of water supply	\$ 12,325.62
Suction mains	14,319.00
Storage and pressure pumping plants	58,120.00
Transmission mains - cast iron	66,940.80
Distribution mains - cast iron	186,516.31
Meters and connections (1,746)	35,600.94
General equipment	7,735.00
Organization expense	5,000.00
Contingencies - 10%	<u>38,755.77</u>
Total	\$426,313.47

Applicant's petition shows that Montana Land Company will, as soon as the foregoing construction program has been completed or before then if the demand for housing warrants such action, subdivide or sell to others for subdivision purposes, all of lots 11, 12, 21, the south half of lot 20, and the undeveloped portion of lot 33 in Tract No. 8084. If these subdivisions materialize, applicant intends to install in said lots water systems estimated to cost \$483,989.68, segregated as follows:

Source of water supply	\$ 26,651.30
Suction mains	32,499.00
Storage and pressure pumping plants	47,035.20
Transmission mains - cast iron	33,119.20
Distribution mains - cast iron	249,554.88
Meters and connections (2,336)	47,631.04
General equipment	3,500.00
Contingencies - 10%	<u>43,999.06</u>
Total	<u>\$483,989.68</u>

Applicant is of the opinion that both of its construction programs will be completed within two years. The record shows that no other concern is now operating water systems in the area in which applicant is seeking a certificate of public convenience and necessity.

Applicant has outstanding \$400,000 of stock, all of which is owned by Montana Land Company. It has recently amended its Articles of Incorporation and by such amendment increased its authorized stock issue from \$1,000,000 to \$3,000,000. In this application it asks permission to issue, at par, 8,900 shares of its stock for a total consideration of \$890,000. Applicant's petition shows that said shares of stock will be issued and sold only when, as, and if funds are

required for the purpose of installing the properties herein mentioned, and that Montana Land Company has committed itself to purchase the \$390,000 of stock and pay for such stock as demanded by applicant, up to and including December 31, 1950. Of the proceeds, \$18,227.43 will be used to reimburse applicant's treasury and \$29,002.35 to refund, as the same become payable, deposits made by subdividers. The remainder will be used to pay the cost of installing the water systems to which reference is made herein.

Applicant proposes to acquire and install fire hydrants in the tracts and areas covered by this application. It will permit the Lakewood County Fire Protection District to use the hydrants upon the payment of filed rate of one (\$1.00) dollar per month per hydrant.

Applicant intends to enter into contracts, the same in form as have been previously approved by the Commission with Montana Land Company and other owners and sub-dividers of said tracts and areas whereby each subdivider shall deposit with applicant the amount required by Section 3⁽¹⁾ of rule and regula-

(1) Section 3 of rule and regulation No. 19 reads "Applicants for extensions to supply real estate tracts or subdivisions may be required to deposit with the Company the estimated reasonable cost of the necessary facilities, exclusive of service connections and meters, before construction is commenced. The size, type and quality of the materials and location of lines shall be specified by the Company and the actual construction will be done by the Company or by a contractor acceptable to it. Adjustment of any substantial difference between the estimated and the reasonable actual cost shall be made after completion of the installation. Refunds shall be made for each bona fide consumer within the subdivision in amount equal to the quotient resulting from a division of the adjusted total cost of said facilities by a number equal to 60% of the total number of lots in such subdivision as shown upon the recorded map thereof upon the condition, however, that such lots shall be of average size and not exceed in area an average size of one-fourth (1/4) of one acre; and further provided no refunds shall be made after a period of ten years from the date of completion of the installation. Should the average area of lots in any subdivision exceed one-fourth (1/4) of one acre, the refund of deposits for facilities shall be as agreed between the parties and approved by the Railroad Commission. In case of disagreement over size, type and/or location of the pipe lines, the matter may be referred to the Railroad Commission for adjustment."

tion No. 19 now on file with the Commission. The deposit will be returned by applicant to the subdivider at the time and in the amounts stated in said Section 3; which replaces Section 2 of rule and regulation No. 19. The order herein will authorize applicant to extend said Section 3 to the area covered by the certificate of public convenience and necessity granted by the following order. Section 2-a of rule and regulation No. 19 covering refunds of deposits by subdividers in tracts Nos. 11425 and 11881 will continue in effect.

The law provides that the Commission shall have no power to authorize the capitalization of a certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of said certificate of public convenience and necessity.

O R D E R

A public hearing having been held on the above entitled matter by Examiner Gorman and the Commission having considered the evidence submitted and it being of the opinion that this application should be granted, subject to the provisions of this order,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the

construction and operation of water systems by Lakewood Water and Power Company, a corporation, in the south half of lot 20 and all of lots 54, 55, 53 and 56 in Tract No. 2084 of Los Angeles County, and any re-subdivision designations of said lots as may now exist or hereafter be made.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is hereby, granted to Lakewood Water and Power Company to construct and operate said water systems.

IT IS HEREBY FURTHER ORDERED that Lakewood Water and Power Company shall amend its rates, rules and regulations now on file with the Commission and thereby omit Section 2 of rule and regulation No. 19 and as amended shall extend said rates, rules and regulations to all lots and areas covered by certificates of public convenience and necessity heretofore granted to it, and by the certificate of public convenience and necessity granted by this order except that Section 2-a of rule and regulation No. 19 shall continue to apply to tracts Nos. 11425 and 11881.

IT IS HEREBY FURTHER ORDERED that Lakewood Water and Power Company be, and it is hereby, directed as follows:

- (1) Within sixty (60) days from the date of this order, to file with this Commission, in quadruplicate, amendments to its rates schedules, rules and regulations, to add the above numbered lots and areas to the territory to which its rates, rules and regulations apply, together with revised maps, 8½ x 11 inches in size, on which shall be delineated the boundaries of the entire authorized service area and

the location thereof with reference to the surrounding territory; 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 (4) copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the various tracts, lots or areas in the territory for which it has certificates of public convenience and necessity. 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 service area; providing, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated service area or any portion thereof.

IT IS HEREBY FURTHER ORDERED that Lakewood Water and Power Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1947, at not less than the par value thereof, \$890,000 par value of its common capital stock and use the proceeds to reimburse its treasury, refund deposits made by subdividers, and pay the cost of the water systems, to which reference is made in the foregoing opinion, the Commission being of the opinion that the money, property or labor procured by applicant through the issue of said stock is reasonably required by said applicant for said purposes and that the expenditures of the proceeds for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that Lakewood Water and Power Company shall file with the Railroad Commission monthly reports as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 18th day of June, 1946.

Harold Anderson
Justus J. Caenen
Frank W. Brown
Frank Lawrence
Harold H. Hule
Commissioners