

Decision No. 29396

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of  
ARROWHEAD MANOR WATER COMPANY for a  
certificate of public convenience and  
necessity to operate and carry on the  
business of a water company and for  
authority to issue shares of stock  
in Payment of Debt.

Application No. 27132

Bishop Moore, for applicant.

E. R. Capstaff, for Lakebrook Park Water System.

O P I N I O N

Arrowhead Manor Water Company, a corporation, asks the Commission to grant it a certificate of public convenience and necessity to supply water for domestic purposes as a public utility in Tracts No. 1921 and 2423, San Bernardino County. The Commission also is asked to establish an annual flat rate charge of \$18.00 for the service rendered, and for authority to issue to Omart Investment Company, Ltd., a corporation, 500 shares of its capital stock of the par value of \$1.00 per share in payment of the applicant's note in the sum of \$500 held by said investment company.

A public hearing in this proceeding was held before Examiner Stava at Lake Arrowhead.

Tracts No. 1921 and 2423 are located one and one-half miles east of Lake Arrowhead. Tract No. 1921 consists of 160 acres of land, being the NW $\frac{1}{2}$  of Section 13, T. 2 N., R. 3 W., S.B.B. & M.; has been subdivided into approximately 1,600 lots; and, is traversed by Deep Creek Drive, a county road, by Hook Creek, a tributary of Deep Creek, and the Mojave River. Tract No. 2423 consists of 5 acres of land and is situate within the NW $\frac{1}{2}$  of the SW $\frac{1}{2}$  of said Section 13 and has been subdivided into 27 lots.

The present source of water supply is a spring located on United States Government property to which a right to use 2,600 gallons of water per day has been obtained. The water from the spring is collected in an open concrete reservoir having a capacity of 60,000 gallons. Additional nearby storage is provided by a 30,000-gallon steel tank and a 12,000-gallon corrugated steel tank. The water is distributed to 80 per cent of the service area of the two tracts by gravity from these storage facilities. The remaining 20 per cent lies above the tank and is supplied by two pumping plants together with pressure tanks. The distribution system presently installed consists of 20,756 feet of pipe lines varying from 4 to 2 inches in diameter. There are 18 customers receiving service from the system. In order that an additional water supply may be provided in the future, applicant proposes to drill wells and produce water by pumping.

Tracts No. 1921 and 2423 were subdivided about 20 years ago, but only a few sales were made during this period and the subdivisions remained dormant. They were recently acquired by Omart Investment Company, Ltd., a corporation, engaged in the business of subdividing real estate, but were sold thereafter to Mr. A. L. Harris who is selling the unsold lots. Omart Investment Company, Ltd., planned to install a water system to serve each lot in the tracts. It proceeded to construct the water system and also caused applicant company to be formed for the purpose of owning and operating the system. As shown hereafter, \$22,417 has been expended in constructing the system and acquiring water rights and property for the system. Applicant has purchased all of the assets, included in the said sum of \$22,417, from Omart Investment Company, Ltd., and in payment gave its note for \$500, payable on demand. No payment has been made on the note, but Omart Investment Company, Ltd., has agreed to accept 500 shares of the authorized capital stock of applicant as payment for said note and will advance all funds necessary to complete construction of the system.

The total expenditures reported in connection with the water system as of May 1, 1946, are as follows:

C-1	Organization . . . . .	\$ 425.00
C-2	Water Rights . . . . .	300.00
C-6-23	Water Distributing Facilities . . . . .	20,442.00
C-26	Interest during construction . . . . .	725.00
	Materials and Supplies . . . . .	<u>525.00</u>
	Total:	\$22,417.00

Mr. M. Penn Phillips, testifying for applicant, stated that the distribution system was approximately 60 per cent installed, and that the remaining pipe was on the ground and the distribution system would be completed by the end of June. He estimated that an additional expenditure of \$18,000 to \$20,000 will be necessary to complete the distribution system in order that each lot in the two tracts can be supplied with water. He further stated that funds to complete the construction were available from Omart Investment Company, Ltd.

Applicant requests that the Commission establish a seasonal flat rate of \$18.00 per year for the service rendered. At the hearing, an amendment to the application was made requesting that a reasonable measured rate also be established and that the water service supplied by the system be restricted to household purposes only. Mr. Phillips testified that the water resources in the immediate vicinity of the two tracts are limited; that the system was designed to provide water for household use only during the seasonal occupation peaks; and, that the lots in the tracts are being sold as mountain cabin sites in a recreational area. He testified that the presently available spring supply and future well sources probably would supply water only for household purposes when the tracts were fully developed and that these sources could not be depended on to provide a supply of water for the irrigation of lawns and shrubs. He stated further that the terrain of the two tracts is rugged, steep and wooded and will not lend itself well to garden service. A measured rate was requested for the purpose of controlling wasteful and extravagant use of water and to provide service for such business property as inns, taverns, stores, etc., where the use of water cannot be estimated and flat rate charges equitably applied.

Applicant has permission from the County of San Bernardino to lay, construct, and maintain pipe lines in the two county roads located in the tracts. This authority was granted a predecessor in interest which now has been transferred to applicant. The original subdivider of the two tracts reserved utility privileges in the remaining roadways and streets and, therefore, county authority is not required to enter into or under these streets to install and maintain water pipe lines.

Mr. E. R. Capstaff, doing business as Lakebrook Park Water System, testified that applicant at present was supplying water to six premises in his certificated area and asked that this service be discontinued. It appears that applicant's transmission main is installed along Deep Creek Road through a section of the Capstaff service area. These six residents were located at the end of the Capstaff system's pipe lines and had received such poor service that they connected their services to applicant's mains. They are receiving at present an adequate supply of water and ask that applicant's service be continued. Mr. Phillips testified that he had not authorized any connections to be made to the main by these property owners but that applicant was ready and willing to continue serving them. He stated that applicant could and would provide a better class of service than the Capstaff system and that the area in which these residents are located is more a part of the community and territory served by applicant than the territory served by Capstaff.

No other public utility water system operates in the two tracts asked to be certificated by applicant and no protests or objections were made to applicant operating in the two tracts or to the proposed charges for the service rendered. Under the circumstances it appears that public convenience and necessity require that applicant be granted a certificate in the territory requested and that the water service be continued to the six property owners in the Capstaff territory as they are entitled to receive the best water service available. The proposed schedule of flat rates, providing for a seasonal charge of \$18.00 per year, is a fair and reasonable one for the service to be supplied.

A schedule of meter rates is established also in the following Order that will provide for the delivery of water on a measured basis. Applicant's request that the water used on the customers' premises be restricted to household purposes only will be granted.

The certificate of public convenience and necessity granted herein is subject to the following provision of law:

"That the Commission shall have no power to authorize the capitalization of this 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 as the consideration for the issuance of such certificate of public convenience and necessity or right."

O R D E R

Application, as entitled above and as amended, having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being of the opinion that it is reasonably necessary for Arrowhead Manor Water Company, a corporation, to issue 500 shares of its capital stock for the purposes stated hereafter, that the expenditures for said purposes are not in whole or in part reasonably chargeable to operating expenses or income, and the Commission now being fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity requires and will require the construction and operation of a public utility water system by Arrowhead Manor Water Company, a corporation, in Tracts No. 1921 and 2423 in and in the vicinity of Lake Arrowhead, San Bernardino County, being more particularly described as the NW $\frac{1}{4}$  of Section 13, consisting of 160 acres, and a portion of the SW $\frac{1}{4}$  of said Section 13, consisting of 5 acres, all in T. 2 N., R. 3 W., S.B.E. & M., said total area consisting of 165 acres, more or less, and delineated upon the map, marked Exhibit "M," attached to the original application herein.

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is hereby granted to Arrowhead Manor Water Company, a corporation, to construct and operate a public utility for the distribution and sale of water within the territory hereinabove described.
2. That Arrowhead Manor Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, 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 on and after October 1, 1946, which schedule of rates is hereby found to be just and reasonable for the service to be rendered:

Schedule No. 1

ANNUAL FLAT RATES

Applicability:

Applicable to all domestic water service rendered on an annual flat rate basis.

Territory:

In Tracts No. 1921 and 2423, Arrowhead Manor, San Bernardino County.

Rates:

Per Year

For household residential use only, payable on or before May 1 of each year . . . . .	\$18.00
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Schedule No. 2

ANNUAL METER RATES

Applicability:

Applicable to all household, residential, commercial and industrial service rendered on an annual metered basis.

Territory:

In Tracts No. 1921 and 2423, Arrowhead Manor, San Bernardino County.

Schedule No. 2 - Continued

ANNUAL METER RATES

Rates: Per Meter  
Per Year

Annual Minimum Charge:

Payable in advance on or before May 1 of each year.

For 5/8 x 3/4-inch meter . . . . .	\$18.00
For 3/4-inch meter . . . . .	30.00
For 1-inch meter . . . . .	48.00
For 1 1/2-inch meter . . . . .	72.00
For 2-inch meter . . . . .	96.00

The Annual Minimum Charge will entitle the consumer to 300 cubic feet of water each month. For water used in excess of 300 cubic feet in any month, the following monthly quantity rates will apply:

Monthly Quantity Rates:

First 300 cubic feet, included in annual minimum charge.	
Next 700 cubic feet, per 100 cubic feet . . . . .	\$0.35
Next 1,000 cubic feet, per 100 cubic feet . . . . .	.25
Over 2,000 cubic feet, per 100 cubic feet . . . . .	.15

3. That Arrowhead Manor Water Company, a corporation, within sixty (60) days from the date of this Order, shall submit to this Commission for its approval four 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 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area, and the location thereof with reference to the immediate 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.

4. That Arrowhead Manor Water Company, a corporation, within sixty (60) days from the date of this Order, 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 by appropriate markings the territory presently served. 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 property comprising the entire utility area of service; provided, 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 area of service, or any portion thereof.

- 5. That Arrowhead Manor Water Company, a corporation, on or before December 31, 1946, may issue at par 500 shares of its common capital stock to Omart Investment Company, Ltd., to pay the note referred to in the foregoing Opinion.
- 6. That Arrowhead Manor Water Company, a corporation, shall file with this Commission a report of the issue of the stock herein authorized and of the disposition of the proceeds, as required by the Commission's General Order No. 24-A, which order, in so far as applicable, is made a part of this Order.

IT IS HEREBY FURTHER ORDERED that 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 10<sup>th</sup> day of September, 1946.

Harold J. Kula  
Justus F. Carman  
Francis J. [unclear]  
W. A. [unclear]  
R. J. [unclear]  
 Commissioners.