

Decision No. 39412

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

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| <p>In the Matter of the Application of<br/> MIDWICK WATER COMPANY for an Order<br/> Authorizing Issue of Stock and for a<br/> Certificate of Public Convenience<br/> and Necessity for Supplying Water in<br/> Los Angeles County and the Establish-<br/> ment of Just and Reasonable Charges<br/> for Water Service.</p> | ) |
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Application No: 27711

Overton, Solig and Wilson, by Paul Overton,  
for Applicant.

HULLS, COMMISSIONER:

O P I N I O N

In this application, Midwick Water Company, a corporation, asks the Commission to grant a certificate of public convenience and necessity authorizing it to acquire, construct, operate and maintain a public utility water system serving a tract of land in Los Angeles County known as Midwick Country Club. The Commission is also asked to authorize the issuance and sale of one thousand (1,000) shares of its capital stock at a price of \$100.00 net per share, and to approve metered and flat rate schedules.

A public hearing in this proceeding was held in Los Angeles.

The plan for the development of the service area requested herein, designated Tract No. 13385, Los Angeles County, has been tentatively approved by the Planning Commission and consists of approximately 198 acres. It adjoins the City of Monterey Park on the east and south and the City of Alhambra on the north and west and is generally known as the Midwick Country Club.

The testimony shows that Garvey-Atlantic Company, a corporation, is the owner of the entire tract of land composing the proposed service area, excepting a small portion in the northwest corner, and the owner of this portion desires

water service from the applicant. The entire service area was formerly owned by Midwick Country Club and operated as a golf and polo club.

A study has been made of this property for subdivision purposes and a coordinated plan of development formulated. A map showing the master plan of development was presented as Exhibit No. 1. This plan provides that the area formerly used as a polo field be the first unit to be subdivided and placed upon the market. A map showing the master plan of water utility construction for the entire area, as well as a larger scale map showing the proposed water system to serve the first unit of development, were presented as Exhibit No. 8.

Midwick Country Club owned a complete water system supplying the golf course, polo field, club house and appurtenant structures. A fire completely destroyed the club house several years ago, and all records, including those pertaining to the water system, were lost. There is, therefore, not available at this time a complete history of the water service or its cost of installation. Garvey-Atlantic Company retained the engineering firm of Harold Barnett to make a study of the existing water system, to determine its history and historical cost as well as the cost to reproduce it new. This firm was instructed also to estimate the cost of a water system to serve the area as subdivided in accordance with the master plan.

The record shows that the estimated historical cost of the water system, exclusive of lands and intangibles, was \$53,292. The present value of the lands to be acquired was estimated to be \$16,990, and intangibles covering organization cost were set forth as \$400, resulting in a total cost of \$70,682 for the present system. The historical cost, less depreciation, of these properties was computed to be \$46,268. An additional expenditure of \$33,282 will be required to construct the distribution facilities to supply the first unit to be subdivided and a total expenditure of \$79,550 will be necessary to install a system to serve the entire tract.

The present water supply for the Country Club is obtained from two deep wells 16 inches in diameter, located a short distance northeasterly and outside of

the property, within the corporate limits of the City of Alhambra. A twelve-inch transmission main approximately one mile long connects the wells with a 500,000-gallon concrete reservoir located on a hill top in the service area. Water from the reservoir is delivered to a 90,000-gallon elevated steel tank by two booster pumps and from there by gravity to the distribution system serving the club property.

Garvey-Atlantic Company proposes to operate the golf course and club house during the period of development and sale of the first real estate unit as described herein. Water for these activities will be delivered near the base of the overhead tank, and charges assessed therefor at rates authorized in this Order.

A franchise issued by the City of Alhambra, authorizing the location of the twelve-inch transmission main in its streets, from the pumping plant to the north border of Midwick Country Club, is owned by Garvey-Atlantic Company and will be transferred to the applicant. This franchise will expire in ten years. Garvey-Atlantic Company has granted easements to the applicant for the construction and maintenance of mains wherever necessary in the service area.

The Water Company proposed a schedule of rates and charges for water service, which, among other things, provided for a flat rate of \$300.00 per month for service to the golf course and appurtenant buildings and facilities. At present this course receives the entire water supply. No evidence was presented showing present or future water use. In view of the dominant position of this service and the necessity for a close check on the quantity of water consumed, the golf course will be placed on a metered basis.

Request also, was made in the rate schedule to charge an installation fee, nonreimbursable, of from \$30.00 to \$50.00 for each service connection. Such charge, being contrary to established Commission practice in water utilities, will not be allowed.

The revised schedule of rates established in the following Order will be fair and reasonable under existing conditions in the present development stage.

To provide its initial capital requirements, applicant intends to issue and sell to its three directors 1,000 shares of its no par value common stock at the price of \$100 a share. According to the application, as amended at the hearing, it proposes to use \$46,000 of the proceeds to pay for the existing water system it will acquire from Garvey-Atlantic Company, to which reference heretofore has been made, and to spend approximately \$33,000 to extend the system to the portion of the subdivision first to be developed, as outlined in some detail in Exhibit E-1, attached to the application. Of the remaining proceeds the testimony herein shows that the company will need \$5,000 for a new pump and \$10,000 to purchase a truck and to erect and equip a machine shop, and to acquire additional meters and meter testing equipment. The remaining proceeds applicant intends to use for working capital.

The Commission has considered the request of the company to issue stock, and is of the opinion that an order granting the request should be entered.

The certificate of public convenience and necessity issued herein is subject to the following provisions 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.

The following form of Order is recommended:

#### ORDER

Application as above-entitled having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, 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 require, and will require, the operation of a public utility water system by Midwick Water Company, a corporation, to supply domestic water service in the unincorporated area known as Midwick Country Club,

comprising an area of approximately 198 acres, adjoining the Cities of Monterey Park and Alhambra in Los Angeles County, and more particularly described in the Opinion hereof.

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be, and it is hereby granted to Midwick Water Company, a corporation, to construct and operate a public utility water system for the distribution and sale of water within the territory hereinabove described and under the conditions set forth therein.
2. That Midwick 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 customers on and after October 1, 1946, which schedule of rates is hereby found to be just and reasonable for the service to be supplied:

Schedule No. 1.

GENERAL METERED SERVICE

APPLICABILITY

Applicable to domestic, industrial, municipal and general meter rate service.

TERRITORY

In the unincorporated area of Midwick Country Club, Los Angeles County, as shown on map delineating the service area.

RATES

| <u>Quantity-Charge:</u> |   | <u>Per Meter</u><br><u>Per Month</u> |
|-------------------------|---|--------------------------------------|
| First                   | 1,000 Cubic Feet or less                            | \$1.50                               |
| Next                    | 1,000 Cubic Feet, per 100 Cubic Feet.....           | .15                                  |
| Next                    | 2,000 Cubic Feet, per 100 Cubic Feet.....           | .10                                  |
| Next                    | 6,000 Cubic Feet, per 100 Cubic Feet.....           | .08                                  |
| Next                    | All over 10,000 Cubic Feet, per 100 Cubic Feet..... | .07                                  |
| <u>Minimum Charges:</u> |   |                                      |
| For                     | 5/8 x 3/4-inch Meter.....                           | \$1.50                               |
|                         | 3/4-inch Meter.....                                 | 2.00                                 |
|                         | 1-inch Meter.....                                   | 3.00                                 |
|                         | 2-inch Meter.....                                   | 5.00                                 |
|                         | 3-inch Meter.....                                   | 10.00                                |
|                         | 4-inch Meter.....                                   | 18.00                                |
|                         | 6-inch Meter.....                                   | 30.00                                |
|                         | 8-inch Meter.....                                   | 50.00                                |

The minimum charge will entitle the customer to the quantity of water which that minimum monthly charge will purchase at the Quantity Rates.

3. That Midwick 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 Midwick 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 final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
5. That Midwick Water Company, after the effective date hereof and on or before March 31, 1947, may issue and sell, for cash, at \$100 a share, not exceeding 1,000 shares of its common capital stock and use the proceeds to purchase properties, to pay for extensions and materials and supplies, and to provide working capital, to which reference is made in the foregoing Opinion, it being the opinion of the Commission that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Any proceeds received through the issue of the stock herein authorized not needed by Midwick Water Company for the foregoing purposes shall be retained by it in a special bank account and expended only for such purposes as the Commission hereafter may authorize in a supplemental order or orders.
6. That Midwick Water Company shall keep such record of the issue 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, insofar as applicable, is made a part of this Order.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 17<sup>th</sup> day of September

1946.

Harold Kelle

Francis Brown

Robert Powell

B. J. Anderson

COMMISSIONERS.