

Decision No. 43567

ORIGINAL

BEFORE THE PUBLIC UTILITIES 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 require	:	Application
the extension of its water system,)	No. 30699
and for authority to issue and	:	
dispose of shares of its stock.)	
-----	:	

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

O P I N I O N

This is an application by Lakewood Water and Power Company for a certificate of public convenience and necessity to extend its water service and for an order authorizing it to issue and sell \$950,000 par value of its common stock.

A public hearing in the matter was held before Examiner Coleman in Los Angeles on November 18, 1949. No protest was made to the granting of the application.

Applicant is a corporation organized under the laws of the State of California on or about May 10, 1938. Heretofore, by decisions referred to below, the Commission has granted to applicant certificates of public convenience and necessity authorizing it to construct and operate water systems in portions of the unincorporated area of Los Angeles County near Long Beach, commonly known as the Montana Ranch. The following statement shows the decision numbers, their dates, and the tract numbers:

<u>Decision Number</u>	<u>Date of Decision</u>	<u>Tract No.</u>
31132	July 27, 1938	11425
32985	Apr. 9, 1940	11881
34597	Sept. 23, 1941	12551, 12664, 12773, 12894
		12925 (Lot 21, Tract 8084)
		13000 (Lot 33, Tract 8084)
		13001 (N $\frac{1}{2}$ Lot 34, Tract 8084)
36768	Dec. 21, 1943	11600, 12673 (Lot 2, Tract 8084)
		13153 (Lot 4, Tract 8084)
		13004, 13005, 13201 (Lot 35, Tract 8084)
		13003 (S $\frac{1}{2}$ Lot 34, Tract 8084)
		Lots 10, 11, 12, 38, Tract 8084
39093	June 18, 1946	13202 (Lots 54, 55, Tract 8084)
		13204 (Lots 53, 56, Tract 8084)
		S $\frac{1}{2}$ Lot 20, Tract 8084

Pursuant to the authority thus granted, applicant has constructed and extended its water systems for the purpose of supplying water for business and residential uses in all the areas permitted by the Commission's decisions except in a portion of Tract No. 8084, to wit: a portion of Lot 21, the unsubdivided portion of Lot 33, and Lots 10, 11, 12 and 38 and the south $\frac{1}{2}$ of Lot 20, where there has been no demand for water service. Lot 38 has been sold for a stadium site to the City of Long Beach and will be served by the city. The record shows that presently applicant serves approximately 6,260 consumers; that its investment in fixed capital aggregated \$797,283.19 on September 30, 1949, a substantial portion of which has been financed through the issue of stock to Montana Land Company, applicant's only stockholder; and that its revenues from the operation of its systems amounted to \$155,254.75 during 1948 and to \$125,226.42 during the first nine months of 1949, with net income of \$28,064.30 in 1948 and of \$23,653.09 in the first nine months of 1949. Exhibit No. 1 shows applicant's assets and liabilities as of September 30, 1949, as follows:

Assets

Fixed capital		\$ 797,283.19
Current assets		
Cash	\$184,854.35	
Special deposits	61,911.25	
Accounts receivable	11,980.57	
Materials and supplies	<u>143,505.45</u>	
Total current assets		402,251.62
Deferred charges		<u>1,836.28</u>
Total		<u>\$1,201,371.09</u>

Liabilities

Current liabilities		
Accounts payable	\$ 4,048.01	
Accrued taxes	12,760.62	
Consumers' deposits	<u>2,548.00</u>	
Total current liabilities		\$ 19,356.63
Consumers' advances for construction		110,585.57
Donations in aid of construction		1,298.45
Reserve for depreciation		127,337.37
Common stock		800,000.00
Corporate surplus		<u>142,793.07</u>
Total		<u>\$1,201,371.09</u>

Applicant now seeks a certificate of public convenience and necessity to extend its operations to approximately 2,500 acres which are adjacent to its present service areas and are described as follows:

- (a) Lots 9, 61, 62, 63, 64 and 69 of Tract No. 8084.
- (b) The N $\frac{1}{2}$ of Lot 20 of said Tract No. 8084.
- (c) Lot 16, 17, 18, 19, 23, 30, 52, 57, 60, 65 and 68 of said Tract No. 8084 and Lots 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 16, 18, 20, 21, 22 and 23 of Tract No. 9265, all in Los Angeles County.

The application shows that Montana Land Company, and other land owners, have sold or subdivided or are contemplating the sale or subdivision of said lots; that there is no water company other than applicant now operating water systems in the vicinity thereof, except the City of Long Beach whose present system is not adjacent to any of said lots; and that applicant has been asked by the owners

of the above described land to seek a certificate of public convenience and necessity so that installation of water systems can be made upon request.

As set forth in some detail in this proceeding, applicant estimates its immediate construction requirements at \$548,387.55 to produce, store and carry water to Lot 21 (which is included in the service area heretofore certificated by Decision No. 34597, dated September 23, 1941) and to Lots 9, 61, 62, 63, 64 and 69, for which a certificate now is requested. Contracts have been made or are being negotiated for the construction of 2,376 residences on said lots. Applicant estimates, in addition, that within the next four or five years it will be called upon to expend the further sum of \$393,608.58 to extend its service to Lots 12, 20, 23 and either Lot 10 or 11 depending upon which is first sold or subdivided, all in Tract No. 8084, where preliminary arrangements are being made for sale and subdivision. Applicant has furnished no estimate at this time of the cost to extend its service to the remaining lots for which it now requests a certificate. It appears, however, from the record herein, that there is a demand for homes on said remaining lots and that such lots will be sold for subdivision purposes and applicant called upon to construct water systems and to furnish water thereon.

The estimated construction costs will be financed through the issue and sale of applicant's common stock at par. Montana Land Company has advised applicant that, from time to time, it will purchase, for cash, shares of stock to the total amount of \$950,000, par value, or arrange for the purchase of such shares. Applicant proposes to issue and sell its stock only when and as funds are

needed, and inasmuch as a part of its estimated program may extend over a period of several years, it asks that it be authorized to issue and sell such stock on or before December 31, 1954.

Applicant proposes to sell water to the consumers in the area for which it now seeks a certificate at the same rates and under the same rules and regulations as now are authorized in its present service area.

A review of the record indicates that there is, or will be, need for the additional water service as here proposed and that applicant is able to finance the cost of providing and maintaining said service. The order herein, accordingly, will grant the certificate as requested by applicant and will authorize the issue and sale of \$950,000 of stock. The order will authorize applicant to amend its present rates, rules and regulations so as to provide that they apply to the area for which a certificate is herein granted.

The certificate of public convenience and necessity herein granted is subject to the provision of law that the Commission shall have no power to authorize the capitalization of such 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 a consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

A public hearing having been held on the above entitled matter, the Commission having considered the evidence submitted and

it being of the opinion that the application should be granted as herein provided, that the money, property or labor to be procured or paid for through the issue of not exceeding \$950,000 of stock is reasonably required by Lakewood Water and Power Company for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the extension, construction and operation of water systems by Lakewood Water and Power Company, a corporation, in the following described unincorporated areas in Los Angeles County:

(a) Lots 9, 61, 62, 63, 64 and 69 of Tract No. 8084 of said County, and any re-subdivision designations of said lots as may now exist or hereafter be made;

(b) The N $\frac{1}{2}$ of Lot 20 of said Tract No. 8084, and any re-subdivision designations of said lot as may now exist or hereafter be made;

(c) Lots 16, 17, 18, 19, 23, 30, 52, 57, 60, 65 and 68 of said Tract No. 8084 and Lots 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 16, 18, 20, 21, 22 and 23 of Tract No. 9265 of said County, and re-subdivision designations of said lots as may now exist or hereafter be made.

IT IS HEREBY ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted to Lakewood Water and Power Company to extend, construct and operate its water systems in accordance with the foregoing declaration.

2. Lakewood Water and Power Company, after the effective date hereof and on or before December 31, 1954, may issue and sell, at par, for cash, not exceeding \$950,000 of its common capital stock and use the proceeds to finance the cost of extending and construct-

ing its water system to supply water to consumers in Lots 9, 21, 61, 62, 63, 64 and 69, and in Lots 12, 20, 33 and either Lot 10 or Lot 11 whichever is sold first, of said Tract No. 8084. Any proceeds not needed for the purposes indicated herein shall be used only for such purposes as the Commission hereafter may authorize.

3. The certificate of public convenience and necessity heretofore granted by Decision No. 36768, dated December 21, 1943, is hereby amended so as to exclude Lot 38 from the areas for which such certificate was granted.

4. Applicant shall amend its rates, rules and regulations on file with the Commission so as to provide that they apply to the territory covered by the certificate herein granted.

5. Within sixty (60) days from the date of this order, applicant shall file with this Commission, in quadruplicate, amendments to its rate 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 a revised map, 8½ by 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.

6. Within sixty (60) days from the date of this order, applicant shall 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.

7. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

8. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 29th day of November, 1949.

R. E. Zimmerman
Justus J. Calver
Robert E. Spence
Harold P. Kild
Herbert H. Pott
Commissioners