

Decision No. 46192

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of )  
County Water Company, a California )  
Corporation, for a certificate of )  
public convenience and necessity to )  
authorize the operation of a water )  
system as a public utility for )  
authority to issue and dispose of )  
its securities. )

Application No. 32520

Cameron and Humberger, by Herbert  
Cameron, for applicant; James G. Lee  
and Theo Stein, for the Commission  
staff.

O P I N I O N

County Water Company, a corporation, by the above-entitled application filed June 21, 1951, requests a certificate of public convenience and necessity to operate a water system in unincorporated territory west and northwest of the westerly boundaries of the City of San Bernardino, San Bernardino County, California. Authority to issue stock is also requested.

A public hearing in this application was held by Examiner Warner on August 29, 1951, in San Bernardino, California.

County Water Company, a California corporation, was incorporated on May 21, 1951, for the purpose, among other things, of acquiring, developing, maintaining, constructing, and operating water systems. Officers and directors are R. F. Cuttle, President and Director; C. F. Steinen, Vice-President and Director; and Vera A. Marriott, Secretary-Treasurer and Director; all with addresses in Los Angeles, California.

Applicant is authorized by its articles of incorporation to issue one class of shares of stock only, the total number of shares being 250,000 at a par value of \$1 per share, and with an aggregate par value of \$250,000.

Applicant requests authority to construct and operate a public utility water system in an area comprising approximately 84 acres of unsubdivided land, and Tract No. 2902, San Bernardino County, comprising 123 lots. The area is more particularly delineated on the map attached to the application as Exhibit B, and is outlined with a red line on the map filed at the hearing as Exhibit No. 1.

The record shows that for the past 36 months R. F. Cuttle has been doing business as County Water Company without a certificate of public convenience and necessity issued by this Commission, and has been serving some 21 domestic consumers in Tract No. 2902 through a water distribution system comprising 4- and 6-inch welded steel pipe as detailed on Exhibit No. 1. Water for this system has been obtained from a well located in the northwesterly corner of the service area applied for herein, at the southeast corner of California Avenue and Tract No. 1741. Water has been obtained from this well under the terms of an agreement dated September 28, 1950, a copy of which was filed at the hearing as Exhibit No. 7, between California Ranchos and R. F. Cuttle, which provided that Cuttle was granted an undivided 82/500 interest in the well site described in said exhibit together with an undivided 82/500 interest in and to the right to remove water therefrom, with the further provision that when and if the 84 acres were subdivided, and lots therein and additional lots in Tract No. 2902 were sold,

Cuttle would acquire a prorata share of the interest in the well site, and of the rights to the water, which the number of new lots sold bore to the total number of lots in the new subdivision and Tract No. 2902 combined. Under the provisions of this agreement, Cuttle furnished all pumps, motors, tanks, and pipes at the well site necessary to furnish water to the said 84 acres, and to Tract No. 2902. The record shows that the well drilled on the site is a 16-inch well, approximately 10 years old, drilled to a depth of 520 feet, and that it has a maximum production capacity of approximately 875 gallons per minute. At the present time it has installed in it a pump driven by a 7½ horsepower motor which is capable of producing approximately 75 or 80 gallons per minute. However, the record shows that for the last three weeks, due to pumping operations of Delmann Water Company, a public utility, with a pump installed in a well located approximately 50 or 60 feet northwest of the California Ranchos-Cuttle well, the California Ranchos-Cuttle well has failed to produce water, and emergency service with Delmann Water Company through a cross connection at the well site has been in effect since that time, and is still in effect. Applicant's witness Cuttle testified that although he had a larger pump and motor on hand, he had not installed them in the well. The record shows, therefore, that applicant does not possess a reliable source of water supply either for present operations, or for future operations as proposed.

Applicant proposes to acquire, through the issuance of 20,000 shares of its capital stock, in the amount of \$20,000, the present water system owned and operated by R. F. Cuttle, together with Cuttle's interest in the well site, well, and facilities as outlined hereinabove. Applicant also proposes to issue 5,000 shares of its capital stock to R. F. Cuttle for cash in the amount of \$5,000 for working capital purposes.

With respect to applicant's proposed plan of development of the unsubdivided 84 acres as shown on Exhibit No. 1, an *addition* engineering witness for applicant submitted, as Exhibit No. 3, an estimate of the cost of construction of the water system proposed to be installed therein. This estimate included installation of 14,850 feet of 4-inch, 6-inch, and 8-inch, 10 gauge welded steel pipe, dipped and wrapped, and insurance and performance bond in the amount of \$35,000; 13 fire hydrants installed, \$4,200; miscellaneous line fittings and gate valves installed, \$1,500; and 408 service connections installed, \$16,300; total amount, \$57,200.

A letter from Sun Mortgage Corporation dated August 14, 1951, and signed by Vera A. Marriott, Secretary, was submitted at the hearing as Exhibit No. 8, stating that it was willing to advance to applicant all or any part of the \$57,200 needed to cover the installation of the proposed facilities. This letter also offered to advance sufficient monies to drill a new well to be attached to the proposed water system in the event that a satisfactory title is not obtained by applicant to the California Ranchos-Cuttle well. No provisions either for payment of interest in percentage amount or for repayment of principal over a specified period of time were contained in said letter. Exhibit No. 8 was received in evidence at the hearing, but its competency was made contingent upon the filing of a financial statement of Sun Mortgage Corporation, subsequent to the hearing, as Exhibit No. 9. Despite a showing of total assets amounting to \$3,783,475.26, Exhibit No. 9 shows an accumulated earnings deficit of Sun Mortgage Corporation in the amount of \$2,352.67 as of May 31, 1951, and cash on hand and in banks in the amount of \$2,146.29. Further, the balance sheet as of May 31, 1951, of Sun Mortgage Corporation shows current liabilities of \$373,650.68, while its current assets amount to \$335,696.63.

In connection with its application to issue 20,000 shares of capital stock to R. F. Cuttle in exchange for the R. F. Cuttle water system, doing business as County Water Company, applicant's witness submitted as Exhibit No. 4 a statement of the present replacement value, new, of physical assets proposed to be transferred by Cuttle to applicant, in the total amount of \$26,510.60. This witness could in no way support the historical cost of the assets enumerated, and furnished no such information to the Commission for its information in determining the basis and the amount of the capital stock issue requested to be authorized.

When questioned about the extent and time of the proposed development of the additional 84 acres, applicant's witness stated that it was his understanding that Sun Mortgage Corporation intended to finance such development, but he could not state to what extent, or over what period, the development would take place. No witness for Sun Mortgage Corporation testified regarding the plans of that corporation, and the Commission is unable to determine from the record the reliability of those plans and the degree of public convenience and necessity present in applicant's request to serve the area.

It is concluded that applicant's plans for obtaining a source of water supply to serve the area in question lack precision and definiteness of determinability; that its arrangements for financing its proposed operations in the area requested to be certificated are not clear; and that under the uncertain conditions shown in the record, it would be adverse to the public interest to grant applicant's request for a certificate of public convenience and necessity and its request for authority to issue stock. The order herein will provide that such requests will be denied.

O R D E R

County Water Company, a corporation, having applied to the Commission for a certificate of public convenience and necessity, and for authority to issue shares of stock, a public hearing having been held, and the matter having been submitted for decision,

IT IS ORDERED that Application No. 32520, filed by County Water Company be, and it is hereby, denied.

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

Dated at Los Angeles, California, this 18<sup>th</sup> day of September, 1951.

R. T. [Signature]  
President.  
Justin J. [Signature]  
Harold F. [Signature]  
[Signature]  
Commissioners.