

Decision No. 16757

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The application of RANCHO GREEN
VALLEY WATER COMPANY to issue
stock and assume liabilities.

Application No. 32665

The application of RANCHO GREEN
VALLEY WATER COMPANY, MOUNT
JUPITER MUTUAL WATER COMPANY,
MANUEL MOSS and LENA MOSS approving
contracts, establishing rates and
charges, etc.

Eugene L. Wolver, attorney, for applicants;
Harold S. Kiggins, attorney, for a group of
water users, Gordon H. Mitchell and Edward H.
Dahlgren, consumers, interested parties;
James G. Lee and Richard R. Entwistle, for the
Commission staff.

O P I N I O N

Rancho Green Valley Water Company, a corporation, by the above-entitled application filed August 3, 1951; (1) asks the Commission to declare it to be a public utility; (2) seeks permission to issue stock and to assume liabilities; (3) requests the establishment of rates for water service; and (4) requests the approval of certain contracts attached to the application transferring water system assets and rights to applicant in consideration of certain covenants, also attached to the application. Mount Jupiter Mutual Water Company, a mutual water corporation, and Manuel Moss and Lena Moss, individuals, join in the application.

A public hearing in this matter was held before Examiner Warner on January 21, 1952, at Newhall, California.

Rancho Green Valley Water Company was incorporated June 6, 1951. It is authorized by its Articles of Incorporation to issue one class of stock, only, of a total number of 2,500 shares, of a par value of \$10 per share, and of an aggregate par value of all shares of \$25,000.

Since July 31, 1951, Rancho Green Valley Water Company has been producing, distributing, and selling water to its consumers for domestic purposes in the unincorporated territory known as Green Valley, Los Angeles County. On that date it acquired the physical assets of Mount Jupiter Mutual Water Company, which had been operating in the area for several years as a mutual water company.

The Green Valley area is a semi-mountainous recreational territory located about 20 miles northeast of Newhall. It comprises about 400 acres, more or less, of land including Tracts Nos. 6183, 6639, 6647, 8830, 8956, 8995, and 9880, Los Angeles County, which, in turn, include about 2,900 lots owned by 2,000 deeded property owners. As of January 21, 1952, there were 120 active water consumers including, in addition to residential consumers, a grocery store and a community club. In the summer, a camp for about 100 needy crippled boys is furnished water service for a swimming pool, showers, and for drinking and cooking purposes.

Applicants Manuel Moss and Lena Moss, through their ownership of a majority of stock in the mutual company have controlled and do control the operations of the Mount Jupiter Mutual Water Company. They elect the officers and are the elected officers of the mutual company. Lena Moss is also president and a director of Rancho Green Valley Water Company. Mount Jupiter Mutual Water Company has not been dissolved and its corporate existence has been maintained.

The record shows that Rancho Green Valley Water Company was formed for the purpose of taking over, as a public utility corporation, the operations of the mutual water company in order to provide the water consumers of the mutual company with a channel for the adjustment of their complaints as to rates for water service, and of inadequate water service. The complaints, as expressed by consumers at the hearings, comprised inadequate volumes of water, low pressures, unjust charges for water, poor physical condition of the water system and arbitrary and unreasonable actions of the Moss family in operating the water system as a mutual company.

Applicants' proposal to operate the water system as an incorporated public utility included the settlement, on a cash basis and by agreement, of various claims of the mutual stockholders and others against the Moss family and other parties. It also included the transfer of physical water system assets of and by the mutual water company to the utility company.

The physical water system assets proposed to be acquired by the utility company include a well site on Lot 28, Block 5, Tract No. 6183, as shown on the map filed at the hearing with Exhibit No. 2, and the well 90 feet in depth, located thereon and known as the "Bennett" well. Installed in this well is a pump, to which is attached a 15 hp electric motor. The pumping plant installation is set to produce not in excess of 30,000 gallons of water per day and it discharges water directly into the distribution system. A 3 hp booster pump lifts water to two elevated steel tanks of 43,000-gallon and 63,000-gallon capacity each. These tanks "float" on the line. As of the date of the hearing they were one-third full. The record shows that the water supply from the wells has been inadequate to keep them filled at any time.

Adjacent to the "Bennett" well and on Lot 6, Block 4, Tract No. 6183, is a standby source of water supply, the "Lake" well, also 90 feet in depth, not to be owned by the utility but from which water is obtained and proposed to be obtained under a standby agreement, copy of which is attached to the application. The record is not clear, and none of applicants' witnesses were able to say, whether or not the maximum amount of water available to applicants is 30,000 gallons per day. It is evident, however, that the present sources of water supply are limited in production capacity. Without expansion of the present sources of supply, no new consumers could be added to the present system and no large demands could be placed on the system by present consumers. The record is not clear whether, in order to secure a larger supply of water, the present wells could be or are planned to be deepened or whether it would be necessary to drill other, deeper wells. No proposal to secure additional sources of water supply was submitted by applicants for the record.

The record shows that there were as many as 100 and possibly as many as 200 breaks in the distribution system pipe lines during 1951. These breaks were caused by the deteriorated condition of the mutual company's mains due to their age and their lack of maintenance and replacement in prior years. The record does not disclose the exact age of the pipe lines and other water system facilities of the mutual water company proposed to be operated by the utility company.

Applicant, Rancho Green Valley Water Company, proposed to acquire the mutual company's water system facilities for about \$5,000. A \$5,000 loan by Mrs. Lena Moss to the utility would be retired through the issuance of \$5,000 worth of common stock to Mrs. Moss. The utility offered no proposition to acquire working

capital either to operate the system or to effect the fixed capital improvements which are immediately necessary for the system to be able to render adequate public utility water service. Applicants' witness, Manuel Moss, stated that he did not know of any source of outside or internal funds, either through long-term or short-term debt, or borrowing, or issuance of stock upon the proceeds of which applicant could operate financially.

In view of Rancho Green Valley Water Company's poor and inadequate financial outlook, the run-down condition of the physical water system properties proposed to be acquired by it, the limited water supply available to present and prospective future consumers, and the costs which would have to be incurred by a utility for rehabilitating the system and for the securing of additional sources of water supply and the lack of any proposal for securing funds for such purposes, it is not considered to be in the public interest that Rancho Green Valley Water Company be granted a certificate of public convenience and necessity to operate a public utility water system in the manner proposed in this application.

It is evident and the Commission hereby finds that applicant Rancho Green Valley Water Company has been, since July 31, 1951, engaged in operations as a public utility without a certificate of public convenience and necessity to construct and operate a public utility water system having been granted by this Commission. This is in violation of the provisions of Section 1001 of the Public Utilities Code, and the order herein, therefore, will provide that Rancho Green Valley Water Company will cease and desist from producing, distributing and selling water and from holding itself out to furnish water service to the public as a public utility.

Applicants' request for the establishment of rates, the authority to issue stock and to assume indebtedness, and approval of contracts and covenants, will be denied without prejudice by the order herein.

Before applying for a certificate of public convenience and necessity to construct and operate a public utility water system, applicants should meet the standards of the Commission with regard to the provision of an adequate source of water supply and distribution system in order to render satisfactory service, and should meet the standards of the Commission for adequate financing of the proposed water system operations.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that applicant Rancho Green Valley Water Company has been engaged in operations as a public utility since July 31, 1951, in violation of Section 1001 of the Public Utilities Code, and, therefore,

IT IS HEREBY ORDERED that Rancho Green Valley Water Company cease and desist from producing, distributing and selling water, and from holding itself out to furnish water service to the public as a public utility.

IT IS HEREBY FURTHER FOUND AS A FACT that applicant Rancho Green Valley Water Company's proposal to finance its water system operations is not sound, that its sources of water supply are uncertain and inadequate, that the water system proposed to be acquired by it is deteriorated and is in poor operating condition, that there is no proposal for or prospect of obtaining finances to

rehabilitate the system or provide an adequate water supply, and that it would not be in the public interest to grant to said company a certificate of public convenience and necessity to construct and operate a public utility water system; therefore,

IT IS HEREBY ORDERED that applicants' request for the establishment of rates, the authority to issue stock and to assume indebtedness and approval of contracts and covenants attached to the application, be and it is denied without prejudice.

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

Dated at San Francisco, California, this 13th day of February, 1952.

[Signature]
President.

Justice F. Casper
Harold Hule

[Signature]
[Signature]
Commissioners.