

April 14, 1952

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A 33189 }

46993
D-46881

3/25/52

Decision No. 46993

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation into the operations and)
service of CLARA BLUM BARTLETT, doing)
business as Pomona Valley Water Company,)
in connection with a public utility) Case No. 5231
water system at Los Serranos Village,)
near Chino, San Bernardino County.)

Houston A. Snidow, attorney, for Omart Investment Company, Ltd.; Homer H. Henrie, attorney, for Mrs. Frances Schlessinger; Clara Blum Bartlett, in propria persona; Leslie L. Heap, for Dr. Phillip Stephens, Mr. and Mrs. Horace Kincaid, Mr. and Mrs. John T. Foy, Mr. and Mrs. W. K. Sprott, Mr. and Mrs. H. G. Miller; Mr. Seth Venie, Mrs. Frances Schlessinger, and Roland Pierce, interested consumers; Dr. John T. Oliver, Robert Clark Halsted, Mrs. Margaret Patrick, M. R. Alexander, Floyd Cooper and Jack Royalty, in propria personae; R. E. Sutherland, for the Commission staff.

SECOND SUPPLEMENTAL INTERIM OPINION

At the request of Omart Investment Company, Ltd., dated February 15, 1952, and in response to letters submitted by numerous consumers, and in order to receive further evidence with respect to the operations and service of Clara Blum Bartlett, doing business as Pomona Valley Water Company, an adjourned hearing in the above-entitled Investigation on the Commission's Own Motion was held before Examiner Warner on March 28, 1952, at Chino, at which time the matter was continued to a date to be set, for the Commission to continue its investigation.

By its interim order in Decision No. 45056 in this matter dated November 28, 1950, the Commission continued in effect the restrictions placed upon the furnishing of water to new or

additional customers of Clara Blum Bartlett, owner and operator of Pomona Valley Water Company, as contained in Paragraph 2 of the order in Decision No. 44500, issued June 30, 1950, in Case No. 5196. These restrictions were continued by the Commission's Decision No. 46181, dated September 11, 1951, in this matter. Omart Investment Company, Ltd. requests that said restrictions be lifted with respect to Tracts Nos. 2576, 2562 and 2650, San Bernardino County, which it purchased from Don Lugo Corporation and James M. Fisher on February 6, 1952.

In placing restrictions on the adding of new consumers to the Pomona Valley Water System, the Commission was guided, among other facts of record, by the following considerations:

1. That at the time of the original restriction, Clara Blum Bartlett was involved in litigation before the Superior Court with respect to determination of title to and ownership of the water system properties;
2. That the water production facilities were of uncertain and inadequate capacity, and that the water pumping levels in the area were receding seriously;
3. That the water transmission system across the Los Serranos Country Club golf course, consisting of about 4,000 feet of redwood-stave pipe was leaking badly and was in urgent need of replacement by a steel main;
4. That the water distribution system in the Los Serranos Village portion of the company's service area was comprised of pipe of inadequate dimensions, that it contained many dead ends and was not fully circulating, that it was at a higher elevation than other parts of the area, and that as a result of these factors, water pressures and service were inadequate and unsatisfactory therein;
5. That under the terms of agreements between the former owners of Pomona Valley Water Company and Pomona Valley Resort Company and Don Lugo Corporation, dated October 22, 1946, January 15, 1947, and March 29, 1947, Mrs. Bartlett would be required to refund between \$140 and \$148 per additional consumer each time a service connection was made in the subdivision Tracts Nos. 2576, 2562 and 2650, until the Subdividers' Advances with respect to said subdivisions had been paid in full. The total of such Subdividers' Advances amounted to \$11,341.57 as of December 31, 1951.

6. That Mrs. Bartlett was financially unable to effect the necessary improvements to the water system and was unable to pay such Subdividers' Advances either in part or in full.

With respect to the above-enumerated considerations, the record now shows the following facts:

1. That the litigation before the Superior Court has terminated and that the title to the property has been vested in Mrs. Bartlett by said court;
2. That water production facilities have been installed with a capacity of 1,157 gallons per minute from three producing wells; that the Pellissier well is the only well in operation at the present time; and that it is being operated continuously 24 hours a day;
3. That 200 feet of the redwood-stave transmission main have been replaced with steel pipe; but that said main should be replaced in its entirety;
4. That the water service throughout the distribution system has been improved and that there have been fewer occasions of low pressure and inadequate service, but that pressures and service conditions are still unsatisfactory;
5. That at the hearing on March 28, 1952, Leroy Harrod, assistant to the president of Omart Investment Company, Ltd., in charge of subdivisions, testified that said company has a commitment to build 110 homes on that many lots in Tract No. 2576 and intends to build a total of approximately 100 additional homes in Tracts Nos. 2562 and 2650. He further testified that the Omart Investment Company had offered in writing to Pomona Valley Water Company the privilege of amending the afore-mentioned subdividers' agreements so that the water company would be required to make no payments on said agreements for a period of two (2) years from such time as the Commission might authorize the utility to serve water to the lots in Tract No. 2576, and Omart offered that thereafter those advances be refunded by the utility to Omart out of 35% of the receipts of water delivered to the lots in said tract until the indebtedness of \$11,341.57 had been fully paid or for a period of ten (10) years from the date on which the payments commenced, whichever is first;
6. That in addition to the homes proposed to be constructed by Omart Investment Company, Ltd., approximately 50 new homes would be constructed within the utility's service area by individual landowners if the restriction were lifted;

7. That by its Decision No. 46881, dated March 25, 1952, in Application No. 33189, the Commission, among other things, authorized Clara Blum Bartlett, an individual, doing business as Pomona Valley Water Company, to sell and transfer the water system properties to Pomona Valley Water Company, a corporation, and to issue 1,000 shares of no par value common stock;
8. That water service is now being furnished to approximately 245 consumers, and that with the possible addition of the 110 consumers in Tract No. 2576 and 100 additional homes in Tracts Nos. 2562 and 2650, the total number of consumers could be increased to approximately 500 within a short time;
9. That the area served by Pomona Valley Water Company is developing rapidly due to the transfer of the State Women's Prison from Tehachapi to the immediate vicinity with the increase in demand for homes for the attendants and employees thereof, and due to other residential and industrial development in the area;
10. That in Decision No. 46181, the Commission coincidentally granted a general increase in rates for all types of water service in Application No. 32463; that such rate increase was estimated to produce a rate of return of 5.81% based on the rates established therein and based on a rate base of \$96,411 which included an estimate of \$50,000 for necessary additions to rehabilitate the water system to provide service.
11. That although the gross operating revenues of Pomona Valley Water Company for the year 1951 were \$15,924.18, the total expenses, including taxes and interest before depreciation, amounted to \$15,344.28, depreciation expense amounted to \$3,224.04, leaving a net loss for the year 1951 of \$2,644.14, the operating revenues for 1951 included only three months at the increased rates which became effective September 29, 1951. It should be noted that the operating revenues did not include any revenues from the water furnished to the lake operated as a private fish hatchery by Harold V. and Helen M. Saffell^{1/}, and it should be noted further that water was furnished to the golf course of Los Serranos Country Club at a flat rate rather than according to the utility's Schedule No. 1, General Service Metered Rates.

^{1/} Under the terms of a contract dated January, 1948, between Gordon, Bell, et al, former owners of Pomona Valley Water Company and Harold V. and Helen M. Saffell, a copy of which was filed at the August 17, 1951, hearing as Part 2 of Exhibit No. 6, water was to be sold to Saffell for the lake at the rate of 1 cent per hour-inch.

12. That water service could be furnished by the utility to Tracts Nos. 2576, 2562 and 2650 from a 90,000-gallon storage tank and through other presently installed distribution system facilities without appreciable financial expenditures by the utility.
13. That inasmuch as Omart Investment Company, Ltd., plans to start construction immediately upon authorization for water service thereto by the Commission, the utility's gross operating revenues would be enhanced by about \$4,000 per year, and there would be no corresponding increase in pumping power costs;
14. That substantial improvements in the maintaining of adequate pressure and rendering of more adequate water service throughout the entire water system could be effected by the utility at relatively nominal cost by the following:
 - (a) Immediate replacement of the remaining sections of the redwood-stave transmission pipe line with steel pipe;
 - (b) Installation of mains to connect the dead ends in the existing Los Serranos Village distribution system, thereby making such system fully circulating; and
 - (c) Operation of the Pellissier well pump and pumps installed in the Jelm and Junior Republic wells in such a manner and at such times, only, as may be necessary to keep the settling basin at the booster station supplied with sufficient quantities of water to keep, in turn, the 100,000-gallon wood-stave storage tank supplied.

Clara Blum Bartlett was called as a witness for the Commission and she testified that neither she nor the utility was yet financially able to effect all of the necessary improvements to the water system, and that for that reason she protested the lifting of the restrictions hereinbefore proposed. She testified that she had been approached by interested parties with an offer to purchase the water system but that she had turned down such offer on the grounds that it was of an unacceptable amount. She further stated that the terms of a contract proposed by a construction firm to install steel pipe across the golf course was unsatisfactory to her since such terms would require the utility to pay off the cost of the installation over a five-year period.

The attitude of the consumers with respect to the lifting of the restrictions as expressed at the adjourned hearing on March 28, 1952, was that they would have no objection to the lifting of the restrictions, provided, however, that such lifting be made complete, and provided, further, that water service to present consumers not be adversely affected thereby.

The Commission has investigated at length and carefully considered the affairs of this utility over a period of more than two years. It directed Clara Blum Bartlett in its Decision No. 44500, dated June 27, 1950, to assume control and operation of the water system and to proceed with plans and specifications for its repair or rehabilitation. As outlined herein, the Commission has authorized significant increases in rates based on the anticipated rehabilitation of the system in large part, and it has authorized the incorporation of the utility and the issuance of stock.

It is evident from the record as outlined hereinabove, that it will not be adverse to the public interest to lift the restrictions imposed by its prior decisions on the furnishing of water to new or additional consumers by Pomona Valley Water Company, and the order herein will so provide. The development of the community will be encouraged thereby, and additional revenues will accrue therefrom to the utility for the improvement of its financial condition and service to its consumers.

SECOND SUPPLEMENTAL INTERIM ORDER

An adjourned hearing in the matter of the Investigation on the Commission's Own Motion into the Operations of Clara Blum Bartlett, an individual, doing business as Pomona Valley Water Company, now Pomona Valley Water Company, a corporation, having

been held on March 28, 1952, evidence having been adduced with respect to the request of Omart Investment Company, Ltd. that the water service restrictions imposed by the Commission's prior decisions, and continued by Paragraph 1 of the first supplemental interim order in Decision No. 46181, be lifted, and other evidence having been adduced with respect to the operation and service of Pomona Valley Water Company, the matter having been continued to a date to be set, it appearing that a second supplemental interim order should be issued at this time, and good cause appearing; therefore,

IT IS HEREBY ORDERED as follows:

1. That the restrictions placed upon the furnishing of water to new or additional customers by Clara Blum Bartlett, an individual, owner and operator of Pomona Valley Water Company, as contained in Paragraph 1 of the first supplemental interim order in Decision No. 46181, dated September 11, 1951, be canceled and that such restrictions no longer be and are continued in effect;
2. That Pomona Valley Water Company make the necessary improvements to and replacements of its water system to render adequate water service to its consumers;
3. That no water be furnished to anyone without compensation;
4. That Pomona Valley Water Company install meters on its service to the golf course of Los Serranos Country Club, and that such service be furnished thenceforth according to Schedule No. 1, General Metered Service, of said company's filed rates.

- 5. That Pomona Valley Water Company report to the Commission within ninety (90) days, and every ninety (90) days thereafter until completed, its progress in complying with the provisions of Paragraphs 2, 3 and 4 hereinabove.

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

Dated at San Francisco, California, this 14th day of April, 1952.

 President.
Justin J. Gaeuer

Harold F. Kula

Kenneth W. Patten

John L. Decker

 Commissioners.