

ORIGINAL

Decision No. 47190

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of PARK LANE WATER COMPANY, a)
corporation, for an order authoriz-)
ing the acquisition of a waterworks)
system, the issue of stock and for)
certificate of public convenience)
and necessity to supply water within)
Tract 1552, in the County of Orange,)
State of California.)

Application No. 33238

Billy D. Williams and Paul Overton, attorneys,
by Paul Overton, for applicant; George Vandenberg,
for Orange County Farm Bureau, interested party;
Aryne Lansdale, attorney, for Dyke Water Company,
objector to the granting of an unrestricted certi-
ficate; James G. Lee and Theo Stein for the Commission
staff.

O P I N I O N

Park Lane Water Company, a corporation, by the above-entitled application filed March 21, 1952, seeks a certificate of public convenience and necessity to supply water within Tract No. 1552, Orange County. It also requests the establishment of rates for water service, and authority to issue stock and to acquire a water works system. The map of Tract No. 1552 attached to the application as Exhibit D, shows the area proposed to be served.

A public hearing in this matter was held before Examiner Warner on May 7, 1952, at Santa Ana, California.

Park Lane Water Company filed its Articles of Incorporation with the Secretary of State on February 27, 1952. By such Articles, it is authorized to issue 250 shares of \$100 par value common stock, of an aggregate par value of \$25,000. Its president

is William H. Campbell who is also president of January Corporation, subdividers of Tract No. 1552.

At the present time applicant has no assets and no liabilities, and no stock has been issued.

The area for which a certificate is requested comprises about 12 acres and is located about 676 feet east of the intersection of Brookhurst and Chapman Avenues, on the south side of Chapman Avenue, north of Garden Grove, Orange County. There are 47 lots in Tract No. 1552, upon which 46 homes have been constructed. No water service is being furnished to any consumer by applicant although one resident is receiving water for domestic purposes from the January Corporation without charge.

Applicant proposes to issue 180 shares of common stock at \$100 par value, with an aggregate par value of \$18,000, to its officers and directors, who are also officers and directors of the January Corporation. The proceeds from the issuance and sale of such stock will be used to purchase a well, pump, pressure tank, distribution pipe lines, and other water system facilities installed by January Corporation in Tract No. 1552. The purchase price is stated to be \$18,000. The application was amended at the hearing by a request by applicant to issue also an additional 10 shares of common stock of a par value of \$100 per share, and an aggregate par value of \$1,000, for working cash capital.

The water system proposed to be acquired by applicant includes a 12-inch well, 90 feet deep, in which is installed a 30 hp pump. Estimated production capacity of the pumping plant is 350 gallons per minute. A 3,000-gallon pressure tank is directly connected to the system and is set to maintain operating pressures of between 40 and 50 lbs. per square inch. The distribution system consists of 4-inch transite pipe laid in easements

secured by the January Corporation and proposed to be transferred to applicant. As shown in an appraisal in Exhibit No. 5, filed at the hearing by a Commission staff engineer, the estimated historical cost, including overhead, of the water system properties was \$18,274.45. A contractual arrangement has been made with Leon J. Knoeller, a neighboring property owner for a standby connection to his pump and water system located on property immediately adjoining Tract No. 1552 on the east. The Knoeller well is said to have a production capacity of 100 miner's inches and is used and usable for domestic purposes. The standby agreement is reciprocal between the parties.

From a review of the record it appears that the sources of water supply available to applicant and the distribution system installed are adequate to serve the proposed area. A state health department water supply permit has been obtained by applicant and reference thereto is of record in this matter.

Applicant proposes to charge a flat rate of \$3 per service connection per month until such time as the installation of meters becomes advisable and practicable. The proposed metered rate includes a minimum monthly charge of \$2.50 per meter per month, which includes the first 1,000 cu. ft., or less, of water usage. The quantity rates for usage in excess of 1,000 cu. ft. are \$0.15 per 100 cu. ft., with the next 1,000 cu. ft. at \$0.14 per 100 cu. ft., and all over 3,000 cu. ft. at \$0.12 per 100 cu. ft.

Inasmuch as applicant is starting a new water system and in view of the limited number of prospective consumers, no sound estimate of operating revenues, operating expenses, rate base and rate of return for the year 1952 can be determined. However, it appears that when the subdivision is fully developed and all homes are occupied and the system, as planned, is fully operative, the operating revenues will amount to approximately \$1,650 per year.

The minimum power bill will be \$30 per month, or \$360 per year, general office salaries and expenses, including auditing, accounting, billing and office supply expense will be approximately \$100, and annual depreciation expense will approximate \$600 per year, annual maintenance expense may amount to \$60, leaving net revenue after estimated taxes of \$60, of approximately \$470. When related to an estimated depreciated rate base of \$17,500, this net revenue would produce a rate of return of about 2.7%.

Regarding applicant's request for the establishment of a rate for fire hydrant service, it appears that no such charge can be levied against water service consumers, as such, in the area. However, if and when negotiations are completed and a contract embodying terms and rates for the use of hydrants is effected with a county fire protection district or other fire protection agency, authorized and able to pay therefor, such contract may be filed with the Commission by advice letter for its approval.

The Orange County Farm Bureau urged applicant to install meters as soon as practicable in order to conserve the underground water supply, and also urged that applicant buy Metropolitan Water District water as soon as it becomes available.

No objections or protests to the granting of the application were entered by any party except that Dyke Water Company requested that applicant not be permitted to extend into contiguous areas, particularly on the north of Tract No. 1552, to such an extent that it would invade Dyke's authorized service area. The record shows that the westerly boundary of Dyke Water Company's presently certificated service area is about 250 yards east of the easterly boundaries of Tract No. 1552 along and on the north side of Chapman Avenue. It does not appear that competition between Dyke Water Company, or any other public utility water company, and

applicant in territory contiguous to Tract No. 1552 will develop in the immediate future. Therefore, no restriction upon applicant's constructing or extending its water system to areas contiguous to Tract No. 1552, other than that contained in the Public Utilities Code, will be included in the order herein.

The Commission has considered the application of Park Lane Water Company for a certificate of public convenience and necessity to supply water within Tract No. 1552, Orange County, and is of the opinion that it should be granted subject to the following provision 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 action taken herein shall not be construed to be a finding of the value of the property herein described.

O R D E R

Park Lane Water Company, a corporation, having applied for a certificate of public convenience and necessity to supply water within Tract No. 1552, Orange County, for the establishment of rates for water service, for permission to issue stock, and to acquire a water works system, 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 public convenience and necessity require the construction and operation of a public utility water system by Park Lane Water Company in Tract No. 1552, Orange County; therefore,

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is granted to Park Lane Water Company, to operate a public utility water system in the area hereinabove described.
- 2.. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, a schedule of rates shown in Exhibit A attached hereto, together with rules and regulations and tariff service area map acceptable to this Commission and on not less than five (5) days' notice to the Commission and the public, to make such rates effective for services rendered on and after July 1, 1952.
- 3.. That applicant shall file, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the location of various properties of applicant.
- 4.. That Park Lane Water Company be and it hereby is authorized to issue stock in the amount of \$19,000 after the effective date hereof and on or before October 31, 1952, for the purposes as indicated in the application as amended at the hearing, to acquire certain water system assets from the January Corporation for \$18,000 and for working cash capital of \$1,000, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of such stock is reasonably required by applicant for the purposes herein stated and that such purposes are not, in whole, or in part, reasonably chargeable to operating expenses or to income..
- 5.. That Park Lane Water Company shall file with the Commission a report as required by the Commission's

EXHIBIT A
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Schedule No. 1

FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured domestic water service.

TERRITORY

Throughout the authorized service area including Tract No. 1552, Orange County.

RATES

	<u>Per Month</u>
For each 3/4-inch service connection	\$3.00

A meter may be installed at the option of the utility or the consumer.

EXHIBIT A
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Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service.

TERRITORY

Throughout the authorized service area including Tract No. 1552, Orange County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu. ft. or less.....	\$2.50
Next 1,000 cu. ft., per 100 cu. ft.....	.15
Next 1,000 cu. ft., per 100 cu. ft.....	.14
Over 3,000 cu. ft., per 100 cu. ft.....	.12
Minimum Charge:	
For 3/4-inch meter.....	\$2.50
For 1-inch meter.....	3.00
For 1 1/2-inch meter.....	3.50

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

General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 27th day of May, 1952.

A. J. [Signature]
President.
James J. [Signature]
Harold Hule
[Signature]
John E. [Signature]
Commissioners.