

ORIGINAL

Decision No. 47955

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAS CASITAS WATER )  
COMPANY, a corporation, for order )  
authorizing acquisition of a water- )  
works system, for the issue of )  
securities, and for certificate of )  
public convenience and necessity to )  
supply water within Tract 3491 in the )  
County of San Bernardino, State of )  
California. )

Application No. 33457

Paul Overton and Grover C. Dodson,  
attorneys, for applicant; J. G. Lee and  
Theo Stein for the Commission staff.

O P I N I O N

Las Casitas Water Company, <sup>1/</sup> a corporation, by the above-entitled application filed June 4, 1952, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in Tract 3491, San Bernardino County. Applicant also seeks authority to issue a note for the purchase of the water system properties and applies for authority to issue stock for working capital. The establishment of rates is also sought.

Public hearings in this matter were held before Examiner Warner on October 15, 1952, in Twentynine Palms, and on October 16, 1952, in Los Angeles.

Incorporation

According to its Articles of Incorporation, a copy of which is attached to the application, applicant was incorporated July 5, 1951. Its directors are Frank T. Cotter, Beverly Hills, and

1/ Hereinafter referred to as the applicant or the water company.

Merrabel Scoles and Paul Overton, Los Angeles. Its officers are R. D. Boggs, President, and Hope Kennedy, Vice President and Assistant Secretary, Bellflower, and J. Blizard, Secretary, Joshua Tree. It has an authorized capital stock of 750 shares of common stock of a par value of \$100 each, and of an aggregate par value of \$75,000.

Service Area

Applicant's proposed service area, as shown on the map attached to the application, includes the southwest quarter of Section 13, Township 1 North, Range 6 East, S.B.B.& M. The area has been subdivided as Tract 3491, San Bernardino County, and comprises 285 lots. It is located near the unincorporated community of Joshua Tree on the Mojave Desert and is fairly level desert land sloping from north to south. As of the dates of the hearings, water service was being furnished to five consumers without charge. No meters had been installed as of that time.

Source of Water Supply and Water System

Applicant's source of water supply includes a well 12 inches in diameter, 613 feet deep, located on a 10-acre lot owned by applicant in the extreme northwest corner of the northwest quarter of Section 13. A pump driven by a 15-hp electric motor is installed in the well. The estimated production capacity of the pumping plant installation is 70 gallons per minute. The pump distributes water through a 4-inch main into a 20,000-gallon storage tank from which water flows by gravity through a 6-inch transmission main into the distribution system. The distribution system consists of 4- and 6-inch spiral weld dipped pipe and was installed in 1950. Ten fire hydrants are connected to the system and the distribution mains are laid principally along the rear of

lots in easements provided for that purpose. The system is circulating and pipe lines have been installed to serve 72 of the lots in the subdivision.

Exhibit No. 1 is a laboratory report dated July 27, 1950, which indicated that the water supply was potable.

From a review of the record it appears that the source of water supply, storage and transmission and distribution facilities presently installed are only adequate to serve the 72 lots to which service connections are now available. Therefore, the order which follows will provide for the granting of a certificate of public convenience and necessity to construct and operate a public utility water system in that portion of the subdivision only. When additional water production and distribution facilities have been provided or are specifically planned, programmed and budgeted by applicant, extension of the certificated area may be applied for by supplemental application.

#### Financing

The water system to be acquired by applicant was constructed in 1950 and is owned by Las Casitas Corporation. According to Exhibit 5 presented by a witness for the Commission's staff, the original cost, as reflected by the books of that corporation, was \$24,309.03, with no depreciation expense having been taken to establish a reserve applicable to the depreciable water properties.

In this proceeding, applicant proposes to issue to Las Casitas Corporation a note in the principal amount of \$23,700.43 and \$3,000 par value of its common stock to finance the costs of acquisition and to provide working capital. Exhibit 2 shows that the proposed note will bear interest at the rate of 3% per annum and will be payable, principal and interest, "only out of net revenue remaining in the hands of said Las Casitas Water Company from time to time after the payment of all operating expenses, reasonable

repairs and replacements to its plant and property, the setting aside annually of a reasonable sum of money for depreciation, or such sum for that purpose as may be determined and fixed by the Public Utilities Commission of the State of California, and the retention of a reasonable sum for working capital. Any payment so made shall be credited first to interest and the balance upon principal. Interest shall not be compounded." The payment of the note is to be secured by a mortgage of realty and chattels.

The record does not show clearly the necessity for the issue of securities at this time to provide working capital or to pay for capital additions, nor does sufficient justification appear to warrant an order authorizing the issue of a note in principal amount approximately equivalent to the undepreciated original cost of the property. However, applicant's president and a vice president of Las Casitas Corporation each testified concerning his own personal financial responsibility and the financial responsibility of applicant's sponsors and backers, indicating that such persons not only have ample means to advance funds for applicant's operations but are willing and intend to do so.

Under the circumstances disclosed in this particular proceeding we will authorize the issue of \$3,000 of stock and a note in the principal amount of not exceeding \$20,700, provided, however, that the proposed form of the note be modified so as to delete the phrase reading "or such sum for that purpose as may be determined and fixed by the Public Utilities Commission of the State of California, and the retention of a reasonable sum for working capital".

Rates

Applicant requested the establishment of the following schedule of rates:

	<u>Quantity Charge</u>	<u>Per Meter Per Month</u>
For the first	800 cu. ft. or less.....	\$3.00
For the next	1,200 cu. ft., per 100 cu. ft.....	.35
For the next	1,000 cu. ft., per 100 cu. ft.....	.30
For the next	1,000 cu. ft., per 100 cu. ft.....	.25
For over	4,000 cu. ft., per 100 cu. ft.....	.20

A witness for applicant testified that applicant planned to install meters as rapidly as they could be financed and obtained.

Exhibit 3 is an over-all estimate of operating revenues and expenses for a one-year period. It shows that at the rates proposed applicant will barely break even. Under these circumstances, the proposed rates will be authorized.

Operations

Applicant's secretary also is employed as superintendent; He lives at Joshua Tree where he operates a filling station, whence he will also perform the duties of general maintenance man of the water system. Books of accounts will be kept by a public accountant at applicant's offices at 9626 East Belmont Avenue; Bellflower; California.

After a careful review of the record, the Commission is of the opinion that Las Casitas Water Company, a corporation, should be granted a certificate of public convenience and necessity to construct and operate a public utility water system in a portion of Tract 3491, San Bernardino County, subject to the following provisions 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

The above-entitled application having been filed, public hearings having been held, the Commission being fully advised, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require that Las Casitas Water Company, a corporation, be granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area consisting of the 72 lots to which water service is available from distribution pipe lines now installed in Tract 3491, San Bernardino County; therefore,

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be, and it is, granted to Las Casitas Water Company, a corporation, in the territory hereinabove described.
2. That Las Casitas Water Company shall not extend its water system into areas contiguous to the area hereinabove described without further order of this Commission.
3. That applicant be, and it 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 rates and regulations and four copies of a tariff service area map, 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 December 22, 1952.
4. 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.
5. That Las Casitas Water Company be, and it is, authorized to issue \$3,000 par value of common stock and a note in the principal amount of not exceeding \$20,700 to bear interest at the rate of three per cent (3%) per annum, as shown in Exhibit C of the application as amended, and to

execute the mortgage of real estate and chattels as shown in Exhibit 2 in this proceeding, for the purpose of acquiring the water system assets of Las Casitas Corporation, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issuance of said stock and note 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.

- 6. That the form of the proposed note shall be modified so as to delete from the face of the note the phrase reading "or such sum for that purpose as may be determined and fixed by the Public Utilities Commission of the State of California, and the retention of a reasonable sum for working capital." ] insert
- 7. That Las Casitas Water Company shall file with the Commission a report or reports, as required by the Commission's General Order No. 24-A, which order in so far as applicable is made a part of this order.
- 8. That the authority herein granted will be void if not exercised on or before June 30, 1953.
- 9. That the authority herein granted to issue a note will become effective when Las Casitas Water Company has paid the minimum fee prescribed by Section 1904 of the Public Utilities Code, which fee is twenty-five dollars (\$25), and that in other respects the authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup> day of November, 1952.

A. E. Zimmerman  
President.

James F. Cooney

Harold P. Huls

Samuel Patten

Paul L. Maxwell  
Commissioners.

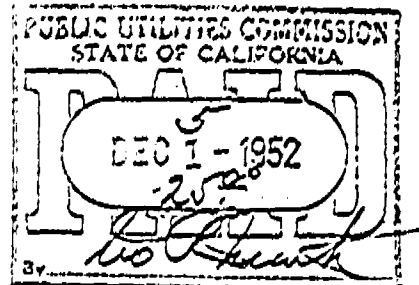


EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the authorized service area consisting of a portion of Tract 3491, San Bernardino County, near the unincorporated community of Joshua Tree.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	800 cu.ft., or less . . . . .	\$ 3.00
Next	1,200 cu.ft., per 100 cu.ft. . . . .	.35
Next	1,000 cu.ft., per 100 cu.ft. . . . .	.30
Next	1,000 cu.ft., per 100 cu.ft. . . . .	.25
Over	4,000 cu.ft., per 100 cu.ft. . . . .	.20

Minimum Charge:

For	5/8 x 3/4-inch meter . . . . .	\$ 3.00
For	3/4-inch meter . . . . .	4.00
For	1-inch meter . . . . .	6.00
For	1 1/2-inch meter . . . . .	12.00
For	2-inch meter . . . . .	15.00

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