

Decision No. 50519**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 DEEP RIVER WATER COMPANY for )  
 Certificate of Public Convenience )  
 and Necessity; to issue common stock ) Application No. 35473  
 in the amount of \$14,995.00 and notes )  
 for \$29,637.33; and to establish )  
 tariff schedules, including rates, )  
 rules and regulations. )

Applicant: Lucien W. Shaw.  
 Protestant: Karl Brown (rates).  
 Commission Staff: James F. Wilson, Reginald  
H. Knaggs, and Robert H. Shirley.

O P I N I O N

Deep River Water Company, a corporation, by the above-entitled application filed May 25, 1954, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory, Los Angeles County, about 1½ miles northwest of the town of Palmdale in the area shown on the map attached to the application as Exhibit D. The establishment of rates and authority to issue common stock in the amount of \$14,995 and notes for \$29,637.33 are also sought.

A public hearing in this matter was held before Examiner Stewart C. Warner on August 12, 1954 at Lancaster. One customer protested the rates proposed to be established. There was no other protest to the granting of the application.

General Information

Deep River Water Company filed its Articles of Incorporation with the Secretary of State on October 1, 1951. Its officers are Robert C. Davis, President; S. Joseph Hunt, Vice President; John W. Wilcox, Secretary; and George A. Campbell, Treasurer. The address of its business office is 39335 North 10th Street West,

Palmdale. By said Articles applicant is authorized to issue only one class of shares of stock to a total number of 200,000 shares of common stock of the par value of one dollar per share and an aggregate par value of \$200,000.

#### Area Requested to be Certificated

The area for which a certificate of public convenience and necessity is requested comprises approximately 318 acres, of which a portion has been subdivided into 330 lots for residential occupancy, and 120 acres will be utilized for commercial and residential purposes. As of the date of the hearing water service was being furnished to 104 domestic consumers. It was anticipated that there would be 150 consumers within six weeks. An additional 66 homes are under construction and 40 more lots are being subdivided, and applicant estimated that by January or February, 1955 350 houses would be occupied or ready for occupancy. The area, known as Desert View Highlands, slopes generally north and east, and has a maximum difference in elevation of approximately 200 feet. The principal development of property in the area has been conducted by West Palmdale Development Company.<sup>1/</sup>

#### Source of Water Supply

Applicant's source of water supply is a 26-inch well with 14-inch casing installed to a depth of 702 feet, located in the northeast quarter, Section 21, Township 6 North, Range 12 West, S.B.B.M. A 75-hp electric motor is connected to a deep-well turbine with a production capacity of 429 gallons per minute. The maximum pumped capacity of the well is 1,900 gallons per minute with a maximum drawdown of 57 feet. In addition to the producing well,

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<sup>1/</sup> Applicant is affiliated with West Palmdale Development Company, subdividers, through ownership of applicant's stock by the subdividing company and through certain common officers and directors. Similarly, applicant is affiliated with Hunt Construction Company, contractors.

a second well has been drilled at this location to a depth of 500 feet with a 14-inch casing installed. This additional well may be equipped with suitable pumping facilities when an additional supply of water is required. Exhibit No. 2 is a Los Angeles County Health Department report dated June 21, 1954, which indicates that a sample of water taken on June 15, 1954 was free from contamination.

Water is pumped directly from the well into a 100,000-gallon steel storage tank located adjacent thereto, and a 25-hp electric motor direct-connected to a 450-gallon-per-minute booster turbine maintains service pressures of between 56 and 76 pounds per square inch with automatic controls operating from a 10,000-gallon pressure tank. Applicant proposes in the future to construct a large storage reservoir at a higher elevation just south of the requested area to maintain service pressures by gravity flow.

As of July 1, 1954 the distribution system consisted of 5,100 feet of 8-inch main, 2,300 feet of 6-inch main, and 6,800 feet of 4-inch main. The present and proposed distribution system is designed for complete circulation. Ten fire hydrants have been installed within the service area.

It appears that the source of water supply, storage facilities and distribution pipelines installed and proposed to be installed by applicant are adequate to serve the area for which a certificate is requested.

#### Rates

Exhibit No. 1 is a schedule of proposed water rates for general metered service which slightly modified the rates requested in the application. Said exhibit requested the establishment of the following schedule of rates:

<u>Quantity Charge</u>	<u>Per Meter per Month</u>
First 1,000 cu.ft. or less .....	\$ 2.50
Next 5,000 cu.ft., per 100 cu.ft.....	.20
Next 6,000 cu.ft., per 100 cu.ft.....	.15
Over 12,000 cu.ft., per 100 cu.ft.....	.10
 <u>Minimum Charge</u>	
For 5/8-inch meter .....	\$ 2.50
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	7.50
For 2-inch meter .....	10.00

At the present time all consumers are served at a flat rate of \$4.50 per consumer per month. Applicant proposes to abolish this flat rate charge and install meters on all services. At the proposed meter rates the present flat rate charge of \$4.50 per month would purchase 2,000 cubic feet of water per month. Applicant makes no charge for fire hydrant service, and the establishment of a fire hydrant rate has not been requested.

#### Issuance of Stock and Notes

Exhibit No. 4 is a report submitted by a staff accounting witness which shows that applicant's net fixed capital as of August 4, 1954 amounted to \$39,182.12. Applicant has proposed additional expenditures of \$11,984 and proposes to issue 14,995 shares of its one dollar par value common stock for a total of \$14,995, and a 10-year three per cent note to West Palmdale Development Company in the amount of \$29,637.33 which, together with consumers' advances for construction in the amount of \$6,469.15 and accounts payable of \$64.64, amount to a total of \$51,166.12.

#### Conclusion

The Commission has considered the application of Deep River Water Company 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.

It appears that applicant's request to establish rates and to issue stock and notes is reasonable and it will be granted by the order which follows.

O R D E R

Application as above-entitled having been filed, a public hearing having been held, the matter having been submitted, the Commission being fully advised in the premises and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require that Deep River Water Company, a corporation, be granted a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory, Los Angeles County, about 1½ miles northwest of the town of Palmdale in the area shown on the map Exhibit D attached to the application; therefore,

IT IS HEREBY ORDERED AS FOLLOWS:

1. That Deep River Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area described hereinabove.
2. 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 Appendix A attached hereto, together with rules and regulations and four copies of a tariff service area map and, on not

less than five days' notice to the Commission and the public, to make such rates effective for services rendered on and after October 8, 1954.

3. That applicant shall file, within forty days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of various properties of applicant.
4. That applicant shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.
5. That applicant be, and it is, authorized to issue 14,995 shares of its ~~7 1/2~~ par common stock in the aggregate amount of \$14,995, and a 10-year three per cent note in the amount of \$29,637.33 to West Palmdale Development Company, for the purposes indicated in the opinion preceding this order, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issuance of said 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. *Edm*
6. That Deep River 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.
7. That the authority to issue stock and a note herein granted shall expire if not exercised on or before March 15, 1955.

8. That the authority herein granted to issue a note will become effective when Deep River Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$30. In all other respects the authority herein granted shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 14<sup>th</sup> day of September, 1954.

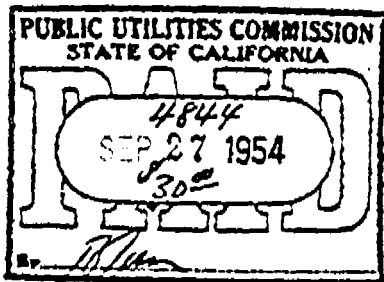
Robert E. Mitchell  
President

Justus F. Caldwell

Kenneth Patten

James Higgins

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Commissioners



APPENDIX A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory known as Desert View Highlands, comprising approximately 318 acres, and vicinity, located 1-1/2 miles northwest of Palmdale, Los Angeles County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less .....	\$ 2.50
Next 5,000 cu.ft., per 100 cu.ft.....	.20
Next 6,000 cu.ft., per 100 cu.ft.....	.15
Over 12,000 cu.ft., per 100 cu.ft.....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.50
For 1-inch meter .....	5.00
For 1-1/2-inch meter .....	7.50
For 2-inch meter .....	10.00

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