

hearing, notice thereof was published and mailed to consumers as required by this Commission. There were no protests.

General Information

Applicant filed its articles of incorporation with the Secretary of the State of California on January 11, 1947. Its first directors and its present directors were and are John Barth, Freda Barth and Sophie Barth. The present officers of the corporation are John Barth, President, Freda Barth, Secretary-Treasurer, and Sophie Barth, Vice President. By its articles of incorporation it is authorized to issue 50,000 shares of stock having a par value of \$10 per share.

History of the Service Area

The proposed service area comprises 480 acres of land in the vicinity of the intersection of Avenue G and 140th Street East in the Antelope Valley (Exhibit A on the application). The area slopes from an average elevation of 2,420 feet along the western edge to approximately 2,625 feet at the northeast corner. The wells applicant will use are located in the western edge of the service area in the Lancaster ground-water basin. Approximately the western half only of the proposed service area lies within the named basin.

The Vista Mutual Water Company was formed by John Barth, William Penrock and George Slomin on June 17, 1948, to furnish water in a tract known as Sunshine Ranchos consisting of the southeast $\frac{1}{4}$ of the northeast $\frac{1}{4}$ of Section 1, Township 7 North, Range 10 West, SBB&M. The corporation was authorized to issue 64 shares of stock having a par value of \$67.50 each. The Sunshine Ranchos area was divided into 32 lots of $1\frac{1}{2}$ acres each and two shares of stock

In the mutual (apparently Class A) were to be issued to the purchaser of each parcel of land therein. In December, 1949, John Barth gained title to the entire utility plant completed at that time by the acquisition of the Penrock and Slomin interests. He then transferred title to all of the utility plant to Vista Mutual Water Company in exchange for the 64 shares of stock previously authorized. The 32 parcels of land were sold and two shares of stock were transferred to the purchaser of each parcel, including John Barth who has one parcel. An additional 32 shares of stock were issued to Mr. Barth for utility plant installed during 1951. Subsequently another 100 shares of Class A stock, and 100 shares of Class B stock, were issued. Holders of Class A stock are entitled to have water piped to their premises in the proposed service area and Class B stock entitles the owner thereof to haul water for use on 5-acre lots in Section 25, T. 8 N, R. 9 W, SBB&M, owned by John Barth. This section is not contiguous to the proposed service area. John Barth personally owns all but six shares of the Class A stock and 98 of the 100 shares of the Class B stock. He also owns 280 of the 320 acres of land in the south $\frac{1}{2}$ of Section 31 referred to above, and all but one parcel in the north $\frac{1}{2}$ of the east $\frac{1}{2}$ of the northeast $\frac{1}{4}$ of Section 1 referred to above and hereinafter referred to as Tract No. 20345. Since the mutual commenced operations, additional plant has been constructed, including a 53,000-gallon storage tank and a pressure tank in the south $\frac{1}{2}$ of Section 31.

The record reflects no action by the mutual to dissolve or to sell the assets thereof and shows only that John Barth has attempted to acquire all of the stock. He has not yet done so and,

accordingly, any authority herein granted will necessarily be subject to the acquisition by John Barth of all stock in the mutual or the taking of appropriate steps by the mutual to secure authorization for the transfer of the mutual's assets to John Barth.

As of February, 1957, the zoning limited the service area to a maximum of 334 customers. There are 34 lots in Sunshine Ranchos (the original Vista Mutual service area, page 1 of Exhibit No. 3), 57 lots in Tract No. 20345 (page 2 of Exhibit No. 3) of which 42 are single residence lots and 15 are multiple tenancy lots, and 64 five-acre parcels in the south $\frac{1}{2}$ of Section 31 (page 3 of Exhibit No. 3) of which 48 are single residence lots and 16 are multiple tenancy lots. John Barth is attempting to secure permission to split the lots in Tract No. 20345 and the south $\frac{1}{2}$ of Section 31 into smaller parcels.

The applicant estimates an eventual total of 700 customers. It appears, however, that applicant included in its estimate an additional 64 customers for hauled water in the noncontiguous Section 25, and the splitting of the lots in Section 31 and Tract No. 20345.

Description of the Water Supply and System

The applicant requests authority to issue stock to John Barth (sic) in exchange for the Vista Mutual's Water system and facilities, a new well not yet in service, and extra working cash. There are two wells available, one owned by the mutual and one allegedly owned by John Barth, both are located in the southwest portion of the proposed service area on a strip of land 300 feet by 1700 feet in size and owned by the mutual. Well No. 1, presently in use, is equipped with a 50-hp motor, has a present capacity of

482 gallons per minute at a discharge pressure of about 45 pounds per square inch, and will deliver 182 gallons per minute into the storage tank hereinafter referred to (Exhibit No. 5). The well has an estimated capacity of 1,350 gallons per minute. There is a 5,000-gallon pressure tank at the well site which is used to serve the customers in the Sunshine Ranchos Tract. Well No. 2 was completed in March, 1957, was tested at 650 gallons per minute, has no pump and is capped (Exhibit No. 6). Water from Well No. 1 has been approved by the Los Angeles County Health Department and this well, the staff estimates, will be adequate for 3 or 4 years. The evidence shows that the average water level in the basin from which the wells draw water is dropping at a rate of approximately four feet per year, and specific data on Well No. 1 indicates that the standing water level has dropped from 105 feet in 1948 to 172.5 feet in 1957 for an average annual drop of 7.5 feet. Storage is provided by a 53,000-gallon tank on the eastern edge of Section 31 at which point there is a 2,000-gallon pressure tank. These facilities are on land owned by John Barth or the mutual. The customers in Section 31 will be served from the storage tank. The entire system is regulated by pressure valves so that operating pressures are between 25 and 45 pounds per square inch in Section 31 and between 45 and 65 pounds per square inch in Sunshine Ranchos. The installed and proposed water system is shown in Exhibit No. 3. Fire hydrants are included. There is one 6-inch line extending from the 53,000-gallon storage tank in Section 31 via Avenue G to the west side of Tract No. 20345 where the line is plugged. A 4-inch line from Well No. 1 connects with this 6-inch line at the southwest corner of Section 31 (Exhibit A on the Application). There is also a 4-inch line along the west edge of the Sunshine Ranchos Tract No. 20345 (137th Street East) which extends to Avenue G. The staff recommended

that this 4-inch line be connected to the 6-inch line at the intersection of 137th Street East and Avenue G. The staff pointed out that some 4- and 6-inch pipe installed before and after the effective date of General Order No. 103 (July 1, 1956) does not meet the requirements of said general order. The staff stated it does not appear economically warranted to require the applicant to replace the substandard pipe at this time but that it is important the applicant conform to the general order as to all future installations. Applicant proposes to install pipe in the presently unpiped portions of Section 31 and to acquire the existing system from either the mutual water company or John Barth, whichever is the owner thereof.

From the record herein, it appears that the existing water supply and storage facilities are adequate to serve all contemplated consumers in the service area for 3 or 4 years. The staff witness stated, however, that if there will be 700 customers, the storage should be increased. He also stated that Well No. 2 should be placed in service when water requirements warrant and estimated this will occur in about 4 years.

The Stock Issue

Applicant originally requested authority to issue 10,000 shares of its \$10 par value capital stock to John Barth as payment for the wells, well site, tank site, pumps, tanks, system, water rights, and rights-of-way for pipe lines. At the hearing the applicant orally modified its request for stock issuance to include sufficient stock to cover the value of the existing system and land, the second well if necessary, and at least \$2,500 working cash capital. John Barth testified that the second well, unequipped, cost \$7,500. The cost of the system to October 17, 1956, was \$50,183.70 (Exhibit D in the application) according to applicant's witness who was not sure whether there

had been additions since said date, and which figure does not take into consideration any depreciation or a pipe installation fee in the Sunshine Ranchos Tract of \$680.00. The staff summarized the utility plant as of June 14, 1957, both that admittedly owned by the mutual water company and that purportedly owned by John Barth as having a cost of \$59,791, including land for the tank site, the well site and the cost of the second well. Allowing for 55 meters costing a total of \$2,200 and to be installed in 1957 and estimating the accrued depreciation as of the end of June, 1957 as amounting to \$4,500, the Commission will permit applicant to issue stock in the total face value of \$60,000, which sum will include a reasonable amount for meters, materials and supplies, and working cash. Until such time as proper authority is obtained, as hereinbefore stated, by contract with all members of the mutual or proper corporate action authorizing the sale of the mutual's assets, the Commission will not permit stock to be issued in exchange for the existing system or any part thereof. It will be necessary, therefore, to place 5,530 shares of stock in escrow. The book value of this stock represents the staff appraisal of the tangible assets, including Well No. 2, as of June 14, 1957, less depreciation amounting to \$4,500.

Rates

The existing services are unmetered and there is a flat rate of \$3.50 per month per connection. The applicant requests

that it be permitted to establish metered rates based on a minimum of at least \$5.00 per month and flat rates as follows:

Single residence, per month	\$5.00
Multiple units, per unit per month	3.00

Applicant also requested authority to establish rates for hauled water. The suggested rates were as follows:

Per load of 500 gallons or less	\$.50
Per load of over 500 gallons but less than 1,000 gallons	1.00

The staff recommended that the haulage rates include a rate for water in excess of 1,000 gallons and also that hauled water be restricted to surplus water and that it be furnished on an off-peak basis only. It also recommended that all existing services be metered by the end of 1957 and that all new services be metered as installed. It estimated that the use per consumer on a metered basis would be from 2,000 to 2,500 cubic feet per month and, that with metered rates which would develop revenues equivalent to the proposed flat rates, the rate of return would be from 1 to 2 per cent less than that developed from nonmetered rates. It suggested metered rates on the following scale as an example to be consistent with a flat rate of \$5.00 per month:

For a 5/8 x 3/4-inch meter and a single dwelling:

0 to 1,000 cu. feet.....	\$3.50
Next 3,000 cu. feet, per 100 cu. feet.....	.12
Next 16,000 " " " " " "10
Over 20,000 " " " " " "08

These rates are higher than generally used in the starting blocks but lower than usual in the tail blocks. Assuming 2,500 cubic feet of water is used per month, the consumer would be required to pay \$5.30.

The applicant requests a meter rate which will give the consumer 1,500 cubic feet per month for \$5.00 in order to assist in the conservation of water. Such proposal appears unwarranted at the present time.

The staff prepared estimated results of applicant's operations based on the proposed nonmeter. rates assuming revenues in 1957 based on an average of 45 consumers and for 1962 in which year it assumes maximum development and that 10 large consumers have then been metered and each pays twice the minimum rate. The staff estimated that based on present Los Angeles County zoning the area will attain substantially complete development at the end of 1962 when applicant will have 360 customers. The estimates of revenue for each year include flat rate services to single residences and multiple units, metered services and hauled water which will be surplus water only and not a part of applicant's certificated services. The following tabulation summarizes the earnings information presented by the staff (Exhibit No. 7):

Item	1957 Estimated	Estimated: Level-End: of 1962 :
Operating Revenues	\$ 2,700	\$21,500
<u>Operating Expenses</u>		
Source of Water Supply Expense	25	50
Power and Pumping Expenses	870	3,500
Transmission and Distribution Expense	225	1,275
Customer Accounting and Collecting Expense	175	1,175
General Expenses	390	1,850
Subtotal	1,685	7,850
Depreciation	1,615	3,700
Taxes	300	3,850
Total Operating Expenses	3,600	15,400
Net Revenue	(900)	6,100
Depreciated Rate Base	48,100	92,500
Rate of Return	(1.9)%	6.6%

(Red Figure)

The staff pointed out that if efforts to have parcels within the requested area rezoned to smaller minimum limitations are effective, the composite effect of the increased customer density would result in a higher rate of return. The staff recommended that all general service customers be metered by December 31, 1957, and that the authorized tariffs reflect the following conditions:

- (a) That the minimum meter rates and blocking be realistically comparable with authorized flat rates.
- (b) That water consumption be measured in units of 100 cubic feet.
- (c) That flat rate tariffs apply only to service connections 1-inch or smaller.
- (d) That a temporary flat rate schedule be authorized, limited to customers presently served, and terminating by December 31, 1957.

By the order herein we are requiring the applicant to meter all existing services by the end of the year 1957. The rates will be on the level of the example suggested by the staff and as set out in Appendix A hereto. We hereby find such rates to be just and reasonable.

Conclusion

From a review of the record, it appears that if all services are metered and minimum rates at the levels proposed by the staff are required, the applicant will have an adequate water supply and a reasonable rate of return in the area requested to be certificated. Surplus water may be sold by applicant for use outside its service area on a temporary basis, provided purchasers of such surplus water take delivery thereof within the service area of applicant. If any surplus water is sold for use outside of the service area, applicant must notify purchasers thereof that no rights to such water service can accrue and that such service may

be discontinued at any time either by the applicant voluntarily or by order of this Commission. It further appears that the meter rates suggested by the staff, and the nonmeter rates proposed by the applicant are reasonable and will be authorized; the nonmeter rates, with the exception of those for hauled water, will be authorized only until December 31, 1957. Applicant will be required to immediately commence and proceed with all possible expedition to meter existing services. All future connections in the service area shall be metered.

After consideration of the record herein, the Commission is of the opinion and finds that public convenience and necessity require the granting of the certificate as requested. The certificate is subject to the following provision of law:

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 Commission is also of the opinion that the money property or labor to be procured, or paid for by the issue of the stocks herein authorized is reasonably required for the purposes herein specified and that expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income. The action taken herein shall not be construed to be a finding of the value of the property herein described. Inasmuch as it is impossible, without an appropriate determination, to state what properties are owned by the Vista Mutual Water Company and what properties, if any, are owned by John Barth, stock authorized to be issued in exchange for the water system and appurtenances,

including Well No. 2, will be placed in escrow until such time as all members of the mutual have transferred their interests therein to Mr. Barth or appropriate steps have been taken by the mutual to authorize the sale of the mutual's assets to John Barth or the applicant. Stock may be issued by the corporation for cash in the amount of \$4,700 for working cash and funds with which to meter the system.

O R D E R

An application having been filed, a public hearing having been held thereon, the matter having been submitted and now being ready for decision, and the Commission having made the foregoing findings, and based upon such findings,

IT IS ORDERED as follows:

1. That Barth, Inc., 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, after the effective date of this order, the rates set forth in Appendix A attached to this order to be effective on or before the date service is first rendered to the public under the authority herein granted, together with rules and a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to this Commission and to the public after filing as hereinafter provided.
3. That applicant shall file, within ninety days after the system is placed in operation under the rates and rules authorized

herein, four copies of a comprehensive map drawn to an indicated scale of not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served for which this certificate is issued, the source of water supply and its distribution facilities, and the location of the various properties of the applicant.

4. That prior to December 31, 1957, applicant shall extend the 4-inch main on the west boundary of Tract No. 20345 on 137th Street East across Avenue G and connect it to the 6-inch main along Avenue G.

5. That prior to December 31, 1957, applicant shall install meters on all active services and thereafter shall render general water service only on a metered basis.

6. That applicant, prior to the effective date of the rates herein authorized, shall post and keep posted continuously thereafter at the point or points of delivery of hauled water, a plainly visible notice indicating the rates and conditions for hauled water service and stating that as all water hauled is surplus water, all such service may be discontinued at any time without notice.

7. That applicant, within ten days after compliance with each of paragraphs 4, 5, and 6, shall so inform the Commission in writing.

8. That applicant, after the effective date hereof, may issue not to exceed 6,000 shares of its \$10 par value stock; provided that 470 of said shares of stock may be issued forthwith to John Barth at par for cash, to provide working cash capital and funds for the purchasing and installation of meters and connections for the existing services and added services; and, provided further, that 5,530 of such shares shall be placed in escrow with an escrow holder approved by this Commission, to be held until either (a) appropriate

steps have been taken in conformance with the provisions of the California Corporations Code to sell and transfer the assets of the Vista Mutual Water Company to John Barth or (b) all members and shareholders of the Vista Mutual Water Company have sold, set over and assigned to John Barth all their rights, title, or interests in the said Vista Mutual Water Company assets; provided, further, that in the event either (a) or (b) of the foregoing provision is complied with and proof is made to the Commission's satisfaction thereof, the Commission may, by supplemental order, either with or without a hearing, order that the said 5,530 shares of stock, or any part thereof, be issued to John Barth or such other person or persons determined by this Commission to be entitled thereto.

9. That applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, which order in so far as applicable, is hereby made a part of this order.

10. That applicant, in the design, construction and installation of all future additions to and replacements of its waterworks facilities, shall meet the requirements of this Commission's General Order No. 103.

11. That, beginning with the year 1957, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.6 per cent. This rate shall be used until a review indicates that it should be revised. It is further ordered that applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more

than five years, and revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

12. That the authority herein granted shall expire if not exercised within one year from the effective date hereof.

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

Dated at San Francisco, California, this 20th day of August, 1957.

1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Roy E. Harkness, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including 480 acres located northeasterly and southwesterly of the intersection of East 140th Street and Avenue G, and vicinity, approximately 15 miles east of Lancaster, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First 1,000 cu.ft. or less	\$ 3.50
Next 3,000 cu.ft., per 100 cu.ft.12
Next 16,000 cu.ft., per 100 cu.ft.10
Over 20,000 cu.ft., per 100 cu.ft.08

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	4.00
For 1-inch meter	5.00
For 1 1/2-inch meter	8.00
For 2-inch meter	12.00
For 3-inch meter	20.00
For 4-inch meter	30.00

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

Schedule No. 2RLX

LIMITED TEMPORARY RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a temporary flat rate basis.

TERRITORY

The unincorporated area including 480 acres located northeasterly and southwesterly of the intersection of East 140th Street and Avenue G, and vicinity, approximately 15 miles east of Lancaster, Los Angeles County.

RATES

Per Service Connection
Per Month

1. For a single family residence including premises	\$5.00
a. For each additional residential unit on the same premises	1.00

SPECIAL CONDITIONS

1. Service under this schedule will be continued to customers served herunder as of the effective date of this tariff sheet, and until such time as meters are installed. Service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.

2. This schedule will be effective only to and including December 31, 1957, and will thereafter be withdrawn.

Schedule No. 9MZ

HAULED SURPLUS WATER SERVICE

APPLICABILITY

Applicable to all water delivered on a measured basis to tank trucks, tank wagons, or other similar containers.

TERRITORY

The unincorporated area including 480 acres located northeasterly and southwesterly of the intersection of East 140th Street and Avenue G, and vicinity, approximately 15 miles east of Lancaster, Los Angeles County.

RATES

	<u>For Delivery</u>
First 500 gallons or less	\$.50
Over 500 gallons, per 100 gallons10

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only at such times as will not interfere with the normal operation of the water system.
2. When no surplus water is available all service under this schedule may be discontinued without notice.