

Decision No. 55615**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of MESA-CREST WATER COMPANY,)
 a California corporation, for a certificate)
 of public convenience and necessity to)
 serve domestic water in the La Canada)
 area and to issue and sell stock.)

Application
 No. 38073

Frank W. Doherty, for applicant.

Richard Entwistle and W. B. Stradley, for the
 Commission staff.

O P I N I O N

By the above-entitled application filed on May 25, 1956, as amended by amendments filed on March 21, 1957, and May 22, 1957, applicant, a California corporation, seeks a certificate of public convenience and necessity to construct and operate a public utility domestic water system in unincorporated territory in Los Angeles County west of Pasadena in the community of La Canada, described as follows:

Lots 1, 6, 12, 13 and 14 of Tract no. 10589, as per map recorded in Book 166, pages 42 and 45, of maps in the office of the County Recorder of Los Angeles County, California.

Tract No. 20270 in the County of Los Angeles, State of California.

This proposed service area is depicted on Exhibit No. 3 and comprises approximately 600 acres. Applicant has secured a franchise from the County of Los Angeles.

In addition to the said certificate of public convenience and necessity, applicant seeks a certificate of public convenience and necessity to exercise the franchise rights granted on June 26, 1956 by the County of Los Angeles by Ordinance No. 6961, to establish rates and to issue stock.

A public hearing on the application was held in Los Angeles before Commissioner Ray E. Untereiner and Examiner Kent C. Rogers on July 18, 1957, and the matter was submitted. It is ready for decision. Prior to the hearing notice thereof was published as required by this Commission. There were no protests.

The applicant.

The applicant is a California corporation formed primarily for the purpose of furnishing domestic water to the above-described land, 518 acres of which are owned by the Godbey Development Company and the balance of which, with the exception of reservoir sites, is owned by the Kenbo Corporation. Applicant's articles of incorporation were filed with the Secretary of State of California on March 26, 1956. Its capital structure consists of 25,000 shares of common stock having a par value of \$10 per share, plus 75,000 shares of Class A and Class B preferred stock having \$10 per share par values. The first directors of the corporation are Matt P. Flynn, Frances D. Flynn, Matt P. Flynn, Jr., Francis P. Flynn, and Michael D. Flynn. Matt P. Flynn is the president and Frances D. Flynn is the secretary. All of the stock of the applicant to be issued pursuant to the instant application will be issued to The Admiral Building Company, a corporation, the stock of which is also owned by the Flynn family, although the record does not show an identity of officers and stockholders. The Admiral Building Company owns the trust deeds given

by the present owners of the proposed service area to secure payment of the purchase price, and allegedly has sufficient assets to be in a position to, and it will, purchase the subsequent stock issues of applicant to provide it with funds as needed.

The service area.

The proposed service area will, when developed, contain approximately 1,000 lots, and lies along the northwest boundary of the City of Pasadena. It is rugged terrain varying in elevation from approximately 1,300 feet to approximately 2,260 feet, with the trend being generally upward from the south to the north. The Kenbo Corporation has acquired a portion of Tract No. 20270 containing 63 lots on all but twelve or fifteen of which homes have been constructed and eight are occupied. The Godbey Development Company, a partnership, has purchased the balance of the proposed service area, except for reservoir sites, consisting of approximately 518 acres. Maps of Tract No. 24072 and Tract No. 23638 therein have been approved. These two tracts contain a total of 202 lots, and 87 homes therein are under construction. One of the partners of the development company estimated that the service area will be completely improved in five to seven years.

The proposed system and water supply.

The water supply is to be secured from the Foothill Municipal Water District which in turn secures its water from the Metropolitan Water District (Exhibit No. 1). The Foothill Municipal Water District has approved the furnishing of water to

the applicant (Exhibit No. 2). From the evidence herein and our knowledge of the Metropolitan Water District, it appears that the source of applicant's water is adequate. Applicant will secure its water from a 1 million-gallon reservoir of the Foothill Municipal Water District located approximately 3/4 of a mile south of the south boundary of the proposed service area near the intersection of Hampton Avenue and La Canada Avenue. The Admiral Building Company has constructed a concrete vault-type booster plant with two 750-gallon-per-minute booster pumps at the Foothill Municipal Water District reservoir. A 12-inch transmission main has been constructed from the booster station to the site of a proposed 500,000-gallon reservoir which will replace two temporary tanks. Applicant proposes to install a total of six reservoirs at different levels, which reservoirs, together with booster pumps, will be designed to provide the area with water at a minimum of 40 pounds and a maximum of 110 pounds pressure. There will be two 500,000-gallon reservoirs, one 200,000-gallon reservoir, one 100,000-gallon reservoir, and two 10,000-gallon reservoirs. These reservoirs will serve pressure zones as follows:

<u>Zone No.</u>	<u>Elevation Served</u>	<u>Hydraulic Elevation of Storage or Pressure</u>
1	1,300-1,460	1,550
2	1,460-1,620	1,710
3	1,620-1,780	1,870
4	1,780-1,940	2,030
5	1,940-2,100	2,190
6	2,100-2,260	2,350

From Chart 2 of General Order No. 103, it appears that with metered service, as proposed here, and with something less than 300 homes in the first three tracts to be improved, maximum

water usage would be approximately 650 gallons of water per minute, or 39,000 gallons per hour.

Although there are no definite plans for service above Zone No. 1, applicant proposes to install a 12-inch transmission main, a 500,000-gallon reservoir, two 600-gallon-per-minute booster pumps, and pressure regulators to provide service to Zones Nos. 2 and 3.

Applicant proposes to furnish the transmission mains, booster facilities, storage tanks, tank sites and meters, and to require the subdivider to furnish the distribution mains, service stubs and fire hydrants pursuant to the main extension rule.

All water is treated prior to its delivery by the Foot-hill Municipal Water District.

Rates.

The applicant proposes to meter all services and to charge rates as follows:

Monthly Quantity Rates:

First	1,000 cubic feet or less	.....	\$4.00
Next	2,000 cubic feet per 100 cubic feet	.....	.30
Next	2,000 cubic feet per 100 cubic feet	.....	.25
Over	5,000 cubic feet per 100 cubic feet	.....	.20

Monthly Minimum Charges:

5/8" meter	\$4.00	2" meter	\$10.00
3/4" meter	5.00	3" meter	17.50
1" meter	5.00	4" meter	27.50
1 1/2" meter	8.00	6" meter	55.00

Applicant designed the proposed rates to give a rate of return when the area is fully developed of 5.1% (page 8, Exhibit

No. 4), and estimated that at the end of three years, with approximately 325 customers, it would have no out-of-pocket loss. In addition, the applicant's witness stated that it could finance the refunds by means of a bond issue, if necessary. The proposed rates appear to be just and reasonable and applicant will be authorized to establish such rates.

The stock issue.

Applicant requests authority to issue and sell for cash 12,000 shares of its common stock, at a par value of \$10 per share for the sum of \$120,000, to The Admiral Building Company for the following purpose:

Land		\$6,000
<u>Plant Facilities:</u>		
Booster Plant	\$25,000	
Transmission Line	33,000	
Temporary Tank and Connecting Line	6,000	
Storage Tank	<u>35,000</u>	99,000
Organization Expense		5,000
Working Capital		<u>10,000</u>
<u>Total Capital Requirement</u>		<u>\$120,000</u>

These expenses include the first reservoir site (shown on Exhibit No. 3) reserved by The Admiral Building Company and to be transferred to the applicant for \$6,000. No fixed price could be determined for the remaining reservoir sites, but the president of The Admiral Building Company, also the president of the applicant, stated that the tank sites would be sold to the applicant as unsubdivided land for not to exceed \$8,000 for each tank site.

The applicant's request for authority to issue 12,000 shares of stock for the purposes set forth hereinabove will be granted.

Concerning the service area

As heretofore stated, applicant requests authority to serve approximately 600 acres of land with water to be furnished by the Foothill Municipal Water District. Approximately 10 to 12 acres of the service area in the extreme northern end are outside the Foothill Municipal Water District, and it would cost in excess of \$2,000 for proceedings to have this small area included therein. The expenditure of this sum appears to be unjustified at present. The certificate granted hereby will authorize applicant to serve only that portion of the proposed service area which is in the Foothill Municipal Water District and can be served with water furnished by said district.

Conclusion

From the record herein it appears, and we find, that the water system and water supply to be acquired by applicant are sufficient for its operations. It further appears, and we find, that applicant's proposed rates are just and reasonable and that it should be permitted to file such schedule of rates.

After consideration of the record herein the Commission is of the opinion, and finds, that public convenience and necessity

require the granting of the certificates to applicant as requested, with the exception that service may not be provided to any portion of the area lying outside of the Foothill Municipal Water District. The certificates herein granted are subject to the following provision of law and to the conditions set out in the order herein:

The Commission shall have no power to authorize the capitalization of the franchise involved herein or these certificates of public convenience and necessity or the right to own, operate or enjoy such franchise or certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificates 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 stock herein authorized is reasonably required for the purposes herein specified, and that such expenditures 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.

The order which follows will provide for the filing of the schedule of rates proposed by the applicant.

The authority granted herein is not to be considered as a modification of the principles enunciated in Decision No. 55353 issued on August 5, 1957, in the 1st Supplemental of Application No. 37161, Dyke Water Company. In that matter the evidence showed that Dyke had a utility plant with a depreciated value of approximately \$3,470,000 and had included in its liabilities approximately \$2,616,000 in advances for construction, which is

equivalent to 75 percent of its net investment in plant. In the instant matter there has been expended by the parties approximately \$142,000 of which approximately \$27,000 is attributable to customers' advances. As the area develops, applicant intends to add five reservoirs, for which the land alone will cost \$8,000 per reservoir site or a total of approximately \$40,000. It definitely appears that at the outset, at least, applicant herein will have a great preponderance of equity capital.

O R D E R

An application having been filed, public hearings 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 said findings,

IT IS ORDERED:

(1) That Mesa-Crest 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 that portion of the area hereinbefore described lying within the Foothill Municipal Water District.

(2) That a certificate of public convenience and necessity be, and it is, hereby granted to Mesa-Crest Water Company, a corporation, to exercise the rights and privileges granted by the County of Los Angeles by Ordinance No. 6961.

(3) That the applicant be, and it is, authorized to file, after the effective date of this order, the rates set forth in

Appendix A, attached hereto, to be effective on or before service is first rendered to the public, 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 the Commission and to the public.

(4) 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 300 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, for which the certificate in paragraph (1) hereof was issued, the sources of water supply and the distribution facilities and the location of the various properties of the applicant.

(5) 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.

(6) That the applicant, after the effective date hereof, may issue not to exceed 12,000 shares of its \$10 par value common stock to the parties and for the purposes specified in the foregoing opinion.

(7) That the applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, which order, insofar as applicable, is hereby made a part of this order.

(8) That the authority herein granted shall expire if not exercised within one year after the effective date hereof.

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

Dated at Los Angeles, California,
this 32nd day of SEPTEMBER, 1957.

J. E. Mitchell
President
Earl J. Intermeier
W. H. [unclear]
R. Hardy
E. L. Fox
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area, comprising approximately 600 acres, known as Mesa Crest, located adjacent to and northerly of the community of La Canada, Los Angeles County.

RATES

Per Meter
per Month

Quantity Rates:

First 1,000 cu.ft. or less	\$ 4.00
Next 2,000 cu.ft., per 100 cu.ft. ....	.30
Next 2,000 cu.ft., per 100 cu.ft. ....	.25
Over 5,000 cu.ft., per 100 cu.ft. ....	.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	5.00
For 1-inch meter	6.00
For 1-1/2-inch meter	8.00
For 2-inch meter	10.00
For 3-inch meter	17.50
For 4-inch meter	27.50
For 6-inch meter	55.00

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