

Decision No. 56157**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PEARLAND WATER COMPANY, for an order)
granting a certificate of public)
convenience and necessity, to authorize)
the operation of a water system as a) Application No. 39161
Public Utility and to fix rates for) (Amended)
service in Tract 18000 in unincorporated)
territory in the vicinity of Palmdale,)
Los Angeles County, and for authority to)
issue and dispose of its securities.)

Aaron Levinson, attorney, for applicant.

Gray and Guy, attorneys, by Arthur D. Guy, Jr.,
for Great Western Water Service, protestant.

Richard R. Entwistle and W. Ben Stradley, for
the Commission staff.

O P I N I O N

Pearland Water Company, a corporation, by the above-entitled application filed June 17, 1957, as amended December 13, 1957, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in Tract No. 18000 and two 12-acre parcels contiguous on the southwest thereto, in unincorporated territory of Los Angeles County, about 4 miles east of Palmdale. Establishment of rates and authority to issue stock are also sought. On November 8, 1957, Great Western Water Service, a corporation, filed its protest to the instant application.

Public hearings were held before Examiner Stewart C. Warner on November 12 and 13, 1957, at Lancaster. The matter was consolidated for hearing with Application No. 38322 of Herman C. Sommer,

doing business as Deep Well water Company, which was temporarily removed from the calendar at the request of the applicant; Application No. 39092 of Berto A. Olson, an individual, for a certificate of public convenience and necessity to construct and operate a public utility water system in an area about 8 miles northwest of Lancaster and 2 miles south of the Tullos Ranch; Application No. 37874, as amended, of Great Western Water Service, for a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in its so-called Kent Ranch area about 10 miles southeast of Lancaster and 8 miles northeast of Palmdale; and Application No. 33642 of Great Western Water Service for a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in its so-called Tullos Ranch area about 10 miles northwest of Lancaster. The instant application was submitted for decision subject to the filing of copies of letters from subdividers requesting water service, and an amendment to the application setting forth a corrected address of applicant's president and other officers and directors, adding the two aforementioned contiguous 12-acre parcels to the area sought to be certificated, and stating the source and methods of financing of applicant and revising the stated value of the stock proposed to be issued.

General Information

Applicant filed its Articles of Incorporation with the Secretary of State on February 13, 1953. A copy of said articles is attached to the application as Exhibit A. Exhibit B is a copy of applicant's By-Laws adopted by its Board of Directors on February 24, 1953. Exhibit C attached to the application is a map of the subdivided portion of applicant's proposed area.

Applicant's officers and directors are Edward L. Thornburgh, president, E. Earl Thornburgh, vice president, and William L. Thornburgh, secretary-treasurer, all of 4722 East Avenue R-12, Palmdale.

Description of Area, Present and Proposed Water System,
and Proposed Financing

Tract No. 18000 has been subdivided into 370 lots by the partnership known as Thornburgh Eros., which owns said tract, and Thornburgh Construction Company, Inc., has caused to be installed and owns a portion of a water system to furnish domestic water service to some 37 completed homes of which 14 are occupied by Thomas A. Thornburgh, E. Earl Thornburgh, a water company office, and others. The two 12-acre parcels are outside of Tract No. 18000 but comprise the area southwest of the tract and are to be developed (1) for commercial purposes and (2) for an apartment dwelling.

The sources of water supply are 2 wells owned by Thornburgh Construction Company, Inc. Well No. 1 is located on lots Nos. 32 and 33 and well No. 2 is located on lot No. 172. Applicant proposes to acquire each of the wells and the well sites.

Well No. 1, drilled in the year 1929 to a depth of 361 feet, is equipped with an electrically driven deep-well turbine pump of 500 gallons per minute capacity, which discharges into a 50,000-gallon forebay tank from which water is boosted by two 350 gallons-per-minute capacity pumps which are automatically controlled to maintain operating pressures of 55 pounds per square inch.

Well No. 2 which will be acquired by applicant, from Thornburgh Construction Company, Inc., was drilled in the year 1947 to a depth of 600 feet.

Both wells Nos. 1 and 2 have supplied irrigation water at the approximate rate of 400 acre feet of water for several years.

The distribution system consists of 1880 feet of 8-inch, 1680 feet of 6-inch, and 40 feet of 4-inch pipe, together with 40 services and meters. Said system has been connected to applicant's proposed-to-be acquired pumping plant No. 1 at well No. 1. When fully installed the water system will be completely circulating, and has been designed to meet fire protection requirements. Total cost of the system now installed is \$23,462.80 as shown on Exhibit No. 2. Said cost does not include the cost of the wells or well sites or the uncompleted portion of the distribution system.

Applicant proposes by its First Amendment to the application to issue 250 shares of its capital stock, at a stated value of \$240 per share, for a total of \$60,000, which will be utilized to cover the costs, including overhead, of the acquisition of the water system, presently installed, together with additional facilities to serve a total of 100 houses. Applicant's principals, the Thornburghs, intend to use their own funds for the development of the service for the remainder of the properties.

Exhibit A of Exhibit No. 1 is a balance sheet as of December 31, 1956, of Earl, William, and Thomas Thornburgh, doing business as Thornburgh Bros., with a net worth of \$270,000 and of Edward L. Thornburgh, with a net worth of \$820,296.22. Said latter net worth is further developed on Exhibit B and Schedule 1 attached thereto. The total balance sheet net worth as of that date for Edward L. Thornburgh et al., amounts to \$1,090,296.22.

Rates

Applicant proposes the following rates for water service:

<u>Quantity Charges</u>	<u>Per Meter Per Month</u>
0 - 800 cubic feet or less	\$2.50
800 - 2,500 cubic feet, per 100 cubic feet25
2,500 - 10,000 cubic feet, per 100 cubic feet15
Over - 10,000 cubic feet, per 100 cubic feet12

Exhibits Nos. 4, 5, 6, and 7 are copies of letters from subdividers of land in the immediate vicinity of, or adjacent or contiguous to, the area sought herein to be certificated. No map showing the precise locations or boundaries of said properties was submitted at the hearings by applicant and the record shows specifically that the instant application covers only Tract No. 18000 plus the two 12-acre parcels adjacent on the southwest thereto, hereinabove noted.

Protest of Great Western Water Service

Great Western Water Service, a public utility water corporation, under the jurisdiction of this Commission, protested the instant application on the grounds that it had filed its Application No. 39083^{1/} for a certificate of public convenience and necessity to construct, extend, and operate a public utility water system in an area immediately adjacent to and adjoining the area covered by the instant application; that Great Western was an existing, dedicated, public utility desiring to serve various territories within the area generally described as Antelope Valley, in addition to the area sought herein by applicant to be certificated; that Great Western, only, could economically operate, and continue to operate, a public utility if it were provided authority to serve an area, or areas, of

^{1/}No public hearing on Application No. 39083 filed May 15, 1957, had been held as of November 13, 1957, and no decision thereon had been issued.

sufficient size and containing sufficient users that its present capital investment would thus yield a reasonable return; that applicant, Pearland, was primarily interested in land development and did not contemplate nor appreciate the problems of long range operation and expansion of its proposed public utility operation; that it would not be within the public interest for the instant application to be granted; that, on the contrary, the greater public interest would be best served if Great Western were authorized to serve that area proposed to be served by applicant; that Great Western stood ready, willing, and able to engage in reasonable negotiations for the acquisition of applicant's presently installed facilities, and that it would effect normal expansion of said facilities in the area proposed to be served by Pearland as the need therefor presented itself.

In support of its protest Great Western submitted as Exhibit No. 8, a copy of a letter dated October 31, 1957, from it to Thornburgh Construction Company, Inc., purporting to outline the basis upon which Great Western would furnish water service to Tract No. 18000 and the two contiguous 12-acre parcels herein being considered. Said basis was upon Great Western's main extension rule for the financing of the water system installation and the issuance of its 3 percent cumulative preferred stock, income bonds, or other equity paper for the acquisition of wells, pumping plants, and tanks. Exhibit No. 8 also rejected a proposal by the Thornburghs that a $\frac{1}{2}$ -mile wide buffer area be established between the boundaries of the area in conflict contained in Application No. 39083 (supra) and the instant application.

Late-filed Exhibit No. 9 is a map showing the relation of Great Western's present certificated area, and the area applied for in Application No. 39083, to Pearland's proposed area. Said map shows that the nearest service of Great Western is one mile south of the southernmost boundary of Pearland's proposed area, and that to effect a water service connection from Great Western's present sources of water supply would require the construction of about one mile of pipe line, the cost of which would be additive to the cost of the water system now installed and owned by Thornburgh Construction Company, Inc., in Tract No. 18000.

Late-filed Exhibit No. 10 is a balance sheet of Great Western Water Service, as of September 30, 1957, and an income statement for the first 9 months of 1957.

Findings and Conclusions

The Commission has carefully reviewed the record herein and finds and concludes that the application for a certificate of public convenience and necessity should be granted. The record shows that Great Western's Application No. 39083 does not include the area covered by the instant application and that, therefore, Great Western has not applied for authority to extend its water service to the Pearland area. The record further shows that Great Western's cash position is insufficient for it to negotiate for the acquisition of Pearland's proposed water system on a cash basis and that all of its negotiations would depend on the application of Great Western's main extension rule and the acceptance by the Thornburghs of Great Western's 3 per cent preferred stock, which the Thornburghs have declined.

The record clearly shows that public convenience and necessity require and will require the granting to applicant of a certificate of public convenience and necessity to furnish water service to Tract No. 18000 and two 12-acre parcels contiguous thereto on the southwest but that no public convenience and necessity has been shown for the granting of a certificate covering an area outside the boundaries of such tract and contiguous areas. The order hereinafter will provide, therefore, that applicant shall not extend its water service outside the boundaries hereinafter certificated without further order of the Commission.

The certificate of public convenience and necessity granted hereinafter shall be 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.

Applicant's request for authority to issue 250 shares of its capital stock, at a stated value of \$240 per share, for a total of \$60,000, appears to be reasonable and will be granted.

Applicant should certify in writing to the Commission when it possesses clear title to the wells, well sites, and water system properties described hereinbefore, and the order which follows will so direct applicant as a condition to the granting of the certificate.

Applicant's proposed rate structure is not in general conformance with the rates of other public utility water service in the proposed area in Antelope Valley. The order hereinafter will authorize applicant to file a schedule of rates which reflect a more reasonable type for the proposed service.

O R D E R

Application as amended, as above entitled, having been filed, public hearings having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Pearland Water Company, a corporation, be, and it is, granted a certificate of public convenience and necessity to acquire, construct, and operate a public utility water system in Tract No. 18000 and two 12-acre parcels contiguous on the southwest thereto in unincorporated territory of Los Angeles County about 4 miles east of Palmdale.
2. That applicant shall not extend its water system outside the boundaries of the area certificated herein without further order of the Commission.
3. 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, together with rules and 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 after filing as hereinabove provided.
4. That applicant shall file, within forty 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 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.
5. That applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals as of January first of the year following the date service is first rendered

to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

- 6. That, if the authorization herein granted is exercised, applicant shall procure and dedicate to water utility purposes the lots or areas on which the wells, pumps and tanks are or are to be located and easements or permits where the pipeline mains are or are to be located in lots, other than in public streets and shall file, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement, dedication, easement or permit.
- 7. That applicant is authorized to issue 250 shares of its common stock, at the stated value of \$240 per share, for a total of \$60,000 to Thomas A. Thornburgh, E. Earl Thornburgh, and William L. Thornburgh, in the number of shares to each of said individuals as set forth in the First Amendment to the application, for conveyance to applicant of the water system properties referred to in the preceding opinion and for cash. The Commission is 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 reasonably chargeable to operating expenses or to income.
- 8. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24A, which order, in so far as applicable, is made a part of this order.
- 9. That the authority herein granted will lapse 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 28th day of January, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 18000 known as Pearland Estates and an adjacent 24-acre parcel, located in unincorporated territory at the intersection of Pearblossom Highway and Avenue S approximately 4 miles south-east of Palmdale, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month
First 1,000 cu. ft. or less	\$ 3.00
Next 2,000 cu. ft., per 100 cu. ft.25
Next 7,000 cu. ft., per 100 cu. ft.15
Over 10,000 cu. ft., per 100 cu. ft.10
Minimum Charge	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	3.75
For 1-inch meter	4.50
For 1 1/2-inch meter	6.00
For 2-inch meter	9.00
For 3-inch meter	20.00
For 4-inch meter	40.00

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