

**ORIGINAL**

Decision No. 56199

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOLEMINT WATER COMPANY, a corporation, to operate a water system in Soledad Canyon, in Los Angeles County.	) ) ) ) )	Application No. 38423 Amendment to Application
------------------------------------------------------------------------------------------------------------------------------------	-----------------------	---------------------------------------------------

Gordon, Knapp, Gill and Hibbert, by Wyman C. Knapp,  
 for applicant.  
A. L. Gielegem and Chester O. Newman, for the  
 Commission staff.

O P I N I O N

Solemint Water Company, a California corporation, hereinafter referred to as applicant, was formed on June 11, 1956, for the purpose, among others, of operating a public utility water company. By the application herein, filed on September 5, 1956, and amended by an amendment filed on July 8, 1957, it seeks (1) a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory in the County of Los Angeles, State of California, consisting of portions of Sections 14, 22, and 23, Township 4 north, Range 15 west, S. B. B. & M.;<sup>1/</sup> (2) to establish rates; and (3) to issue stock.

Public hearings on this matter were held in Los Angeles before Examiner Kent C. Rogers on July 10 and 11, 1957. There were ~~no protests~~ to the granting of the requested authority. On the latter date the matter was submitted subject to the filing, within

---

<sup>1/</sup> Depicted on Appendix A on the Amendment to Application. A metes and bounds description of the area is set forth on pages 2 and 3 of said Amendment.

one week, of Exhibit No. 11, and thereafter of Exhibit No. 10. Prior to the first day of hearing, notice thereof was published as required by this Commission. Exhibits Nos. 10 and 11 have been filed. On November 5, 1957, the submission was vacated and the matter was ordered reopened for further proceedings. The reason for the reopening was that the record does not show the value of the applicant's investment in the system compared with the value of mains and appurtenances to be paid for by the first subdivider and repaid by applicant out of the revenues from the original tract. This information was furnished to the Commission by applicant on December 4, 1957, (late-filed Exhibit No. 12) and shows the estimated cost of the pipe in the original tract to be furnished by the subdivider to be less than 50 percent of the value of applicant's investment in the company. In view of the fact that Exhibit No. 12 has been filed, a further public hearing is not necessary.

The Applicant.

Applicant's officers, directors, and contemplated shareholders are William G. Bonelli, Jr., President, Henry W. Dreher, Vice President, and Joyce Bonelli, Secretary-Treasurer. It has an authorized capital structure of 10,000 shares of no par value stock. All of the stock of applicant which is sought to be issued pursuant to the herein application will be issued to the applicant's shareholders in exchange for cash. The applicant is affiliated with the Bouquet Canyon Water Company located approximately eight miles to the west of the proposed service area, and it is proposed that billings, service calls, and collections be made through the office of this existing company.

The Proposed Service Area

The proposed service area is shown on Exhibit No. 3. It is bounded on the north by the northernmost branch of Soledad Canyon Road, on the east by Sand Canyon Road, and on the south approximately by the Southern Pacific Company right of way. This area comprises approximately 330 acres. The Santa Clara River, ordinarily dry on the surface but having a large subsurface flow, runs east and west through the center of the area. There are only two homes in the area which slopes from an altitude of approximately 1,575 feet in the north and east to an altitude of approximately 1,475 feet in the south and west. Mary E. Shaffer owns, or has an agreement to acquire, all but 10 acres thereof. She has entered into a contract with applicant whereby applicant will acquire a 10-acre parcel of land near Sand Canyon Road in the Santa Clara River and a 100-foot square parcel on the west of and contiguous to said 10-acre parcel for water production purposes (Exhibit No. 4). She plans to subdivide the area for residential and commercial purposes, with that near the railroad zoned for commercial purposes and the balance zoned for residential purposes. A tentative map of Tract No. 19301, comprising approximately 60 acres, located in the northeast portion of the area, has been filed with the Board of Supervisors. This tract will contain 186 residential lots and will extend from the northern edge of the proposed service area to the northern edge of the Santa Clara River (Exhibit No. 3). Applicant contemplates that this tract will be completely occupied within two years. An additional subdivision is proposed south of the river which will contain approximately 300 residential lots. No tentative map of this proposed subdivision has

been filed. Mrs. Shaffer does not intend to personally improve the property but to have this done by construction companies. She is in the real estate business in the area and stated that she has had numerous calls from prospective homeowners inquiring when the area would be improved.

There are no other water companies serving in the vicinity of the proposed service area.

The Proposed System and Water Supply

There are three wells which will be available to applicant at the outset of operations. One of the wells is on the 100-foot square parcel of land and two of the wells are on the 10-acre parcel, both referred to supra. These wells have been tested for purity and potability. The wells and parcels of land are to be acquired by applicant (Exhibit No. 4). The well on the small parcel, known as the Casola well, now equipped with a 20-horsepower motor and deep well pump, will be equipped with a 100-horsepower motor and deep well pump, with which it is estimated the well will produce 100 gallons of water per minute (Exhibit No. 8). This well is to furnish applicant's principal original source of water. One of the wells in the 10-acre tract is unequipped, and applicant plans to place the above referred to 20-horsepower motor and pump on this well. The second well on the 10-acre tract is equipped with a 10-horsepower motor and pump. No production was given on either of said wells, but the applicant's president agreed that a stand-by supply of water of at least 300 gallons per minute would be developed prior to the inauguration of service. The record herein shows that the wells are situated in an area where there is an excess of water.

In addition to the water-bearing land above referred to, applicant will acquire from Mary E. Shaffer a  $1\frac{1}{4}$ -acre parcel of land immediately north of the proposed service area (Exhibits Nos. 3 and 4). This land is approximately 100 feet above the highest portion of the service area. Thereon applicant will install two 50,000-gallon storage tanks. Water from the wells will be pumped into the storage tanks through an 8-inch transite transmission main and will feed by gravity into the system (Exhibit No. 3). It is 3,325 feet from the Casola well to the storage tank area. A system of 4-, 6- and 8-inch mains is to be installed in Tract No. 19301 and the cost thereof refunded to the subdivider out of the water revenues derived from the tract and in accordance with applicant's standard form of refund contract. All services are to be metered. Fire hydrants will be installed by the applicant and the charges for such service will be pursuant to contract which will be submitted to the Commission for approval.

No franchise rights are presently sought to be exercised. Applicant expects to comply with the franchise requirements of the County of Los Angeles, and upon the acquisition of a franchise from said county, to thereafter seek authority from this Commission to exercise rights and privileges granted thereunder.

From the evidence it appears, and we find, that the water supply will be adequate to enable applicant to render service as requested. Applicant will be required to have a stand-by source of water of at least 300 gallons per minute prior to the time service is first rendered to the public.

Financing

Applicant's shareholders propose to contribute initially \$50,000 in cash in exchange for 5,000 shares of applicant's no par value common capital stock. Applicant, in turn, proposes to make the following use of such cash:

- (a) Acquire from Mary E. Shaffer the 10-acre and the 100-foot square parcels of land, and the 1 $\frac{1}{2}$ -acre parcel of land referred to above for the sum of \$11,250.
- (b) Purchase pipe, fittings, meter boxes, and meters for 186 services at \$65 per service, totalling \$12,090.
- (c) Acquire and install two 50,000-gallon storage tanks, steel, bolted, at \$4,500.
- (d) Acquire and install a pumping plant on the Casola well at a cost of \$6,700.
- (e) Drill the new Casola well at a cost of \$2,500.
- (f) Acquire 3,325 feet of 8-inch transite pipe and install the same as applicant's transmission main at a cost of \$3.00 per foot, totalling \$9,950.
- (g) Retain as working cash \$3,010, of which \$1,000 will be used to pay organization expenses. (Exhibit No. 7)

Applicant's request for authority to issue 5,000 shares of no par value stock at \$10 per share to finance the acquisition and construction of a water system and wells, and to pay organization expenses, all totalling an estimated cost of \$50,000, appears reasonable and the request will be granted.

The record shows that the price for the water bearing land ((a) above) includes the three wells hereinbefore referred to, two

pumping plants, and over  $11\frac{1}{2}$  acres of land. The applicant values the bare land at approximately \$750 per acre.

Relative to the item of \$12,090 for the installation of 186 services, it is to be noted that the applicant proposes to install the services and meters in Tract No. 19301 at its own expense, but the cost of the balance of the facilities including mains and valves will be paid by the subdivider and refunded by applicant as an advance for construction. The applicant's witness estimated the costs to be paid by the applicant in Tract No. 19301 will be \$65 for each connection, including the meter, service line, and meter box and will total \$12,090. Late-filed Exhibit No. 12 herein shows that the subdivider will be required to advance approximately \$24,480. Applicant will install all facilities except the distribution mains, valves and fittings in said tract at its own expense. All distribution mains, valves and fittings are to be paid for by the subdivider of Tract No. 19301 and refunded by applicant as an advance for construction.

Another item in the proposal which requires explanation is the item of \$2,500 for a well (Exhibit No. 7). This is not a well which applicant will use. Applicant will acquire from Mary E. Shaffer a tract of land containing a well and pump (the Casola well heretofore referred to). Mrs. Shaffer is acquiring this well from Mr. Casola on the condition that a new but smaller well be drilled for him. The \$2,500 represents the cost of drilling this well, and the evidence shows that the well the applicant will acquire cost more to drill than the \$2,500 to be used to drill Mr. Casola's new well.

Applicant's witness, Mr. William G. Bonelli, Jr., stated that the shareholders of the applicant corporation will purchase the original stock issue. The witness estimated that the total cost of providing water to the entire proposed service area will be approximately \$150,000, including customer advances. Additional finances to pay for the applicant's portion of the total cost of the system above the initial \$50,000 will be furnished by one of the other corporations in which the witness has an interest (Exhibit No. 11).

Rates

The applicant proposes the following schedule of rates:

(a) Flat Rates.

No flat rates are proposed.

(b) Metered Rates.

First 1,000 cubic feet, \$3.50

<u>Over</u>	<u>But Not Over</u>	<u>Rate Per 100 Cu. Ft.</u>
1,000 Cu. Ft.	2,000 Cu. Ft.	\$0.25
2,000 Cu. Ft.	4,000 Cu. Ft.	.20
4,000 Cu. Ft.	8,000 Cu. Ft.	.15
8,000 Cu. Ft.		.10

(c) The foregoing rates shall be subject to the following minimum charges:

<u>Meter Size</u>	<u>Minimum Charge</u>
5/8" x 3/4"	\$ 3.50
1"	4.50
1-1/2"	8.00
2"	12.00
3"	20.00
4"	30.00
6"	50.00

Note: The foregoing minimum charges will entitle the customer to the quantity of water which the particular monthly minimum charge will purchase at the quantity rates.



(d) Unmetered Fire Service.

\$1.00 per diameter inch of pipe service.

The only public utility water system in the vicinity is the Bouquet Canyon Water Company system, referred to supra, which was certificated in 1949. The rates therein are \$2.75 for the first 1,100 cubic feet or less with a 5/8 x 3/4-inch meter. The witness stated that the proposed rates are higher than the rates in the Bouquet Canyon system due to the increased cost of materials and labor.

Conclusion

From the record herein it appears, and we find, that public convenience and necessity require the granting of the certificate of public convenience and necessity to serve Tract No. 19301 only, subject to the conditions set forth in the order herein and 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.

It further appears, and we find, that applicant's proposed rates are just and reasonable and it should be permitted to file the schedule of rates as proposed.

It further appears, and we find, that applicant's initial financing, including the costs of installing the service and distribution mains, will be adequate to complete the system designed to serve Tract No. 19301, but is not sufficient to serve the area sought to be

certificated, additional to the area in said Tract No. 19301. Also, the record does not support a finding of public convenience and necessity for any of the area sought to be certified other than said Tract No. 19301. The certificate to be granted will be limited to said Tract No. 19301, and applicant will be restricted in the order which follows from extending its water system beyond the boundaries of said Tract No. 19301, without prior permission of the Commission.

The Commission is of the opinion and finds 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 purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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

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:

That Solemint 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 Tract No. 19301, Los Angeles County, hereinbefore referred to.

IT IS HEREBY FURTHER ORDERED:

(1) That prior to the commencement of service under the authority herein granted, applicant shall secure full and unencumbered title to a stand-by well, or stand-by wells, and the necessary site or sites therefor, in addition to the well on the Casola property, having a production of not less than 300 gallons per minute, and connect said well or wells to the system of Solemint Water Company and shall notify this Commission, in writing, when such stand-by well, or stand-by wells, have been secured, the location and production capacity thereof, and the date when said well or wells were connected to applicant's water system, within fifteen days after the completion of such connection or connections.

(2) That Solemint Water Company 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 after filing as hereinabove provided.

(3) That Solemint Water Company shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

(4) That Solemint Water Company 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 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory

served for which the certificate is issued, the sources of water supply, and the distribution facilities, and the location of the various properties of the applicant.

(5) That Solemint Water Company 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 Solemint Water Company after the effective date hereof, may issue not to exceed 5,000 shares of its no par value common stock to its officers or members, at the rate of \$10 per share, for the purposes specified in the foregoing opinion.

(7) That Solemint Water Company 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.

(8) That Solemint Water Company shall not extend services beyond the boundaries of Tract No. 19301 without prior permission of the Commission.

(9) That the authority herein granted will 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 4th day of February, 1958.

Commissioner.....Rex Hardy..... being necessarily absent, did not participate in the disposition of this proceeding.

[Signature]  
President  
[Signature]  
[Signature]

Commissioners

APPENDIX A  
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 19301 located in unincorporated territory in Soledad Canyon, approximately 7 miles northeast of Saugus, Los Angeles County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 1,000 cu.ft. or less .....	\$ 3.50
Next 1,000 cu.ft., per 100 cu.ft. ....	.25
Next 2,000 cu.ft., per 100 cu.ft. ....	.20
Next 4,000 cu.ft., per 100 cu.ft. ....	.15
Over 8,000 cu.ft., per 100 cu.ft. ....	.10

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.50
For 1-inch meter .....	4.50
For 1½-inch meter .....	8.00
For 2-inch meter .....	12.00
For 3-inch meter .....	20.00
For 4-inch meter .....	30.00
For 6-inch meter .....	50.00

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

APPENDIX A  
Page 2 of 2

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Tract No. 19301 located in unincorporated territory in Soledad Canyon, approximately 7 miles northeast of Saugus, Los Angeles County.

RATE

	<u>Per Service</u> <u>Per Month</u>
For each inch of diameter of service connection .....	\$1.00

SPECIAL CONDITIONS

1. The customer will pay without refund the entire cost of installing the fire protection service connection.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of applicant. Such cost shall not be subject to refund.
3. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.