

ORIGINAL

Decision No. 56524

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of DIAMOND BAR WATER COMPANY, a
corporation, for authority to
construct and operate a public
utility water system in Los Angeles
County, California, and for authority
to issue stock and other securities.

Application No. 39540

Gibson, Dunn & Crutcher, by Max Eddy Utt,
Quinton Engineers, Ltd. by Charles J. Haver,
for applicant.

Simon Perliter for W. A. Bartholomae, Edmund F.
Airey for Walnut Valley Water District, C. E.
Magoffin for California Water & Telephone Co.,
interested parties.

Mertin Abramson and Theo. Stein, for Public Utilities
Commission staff.

O P I N I O N

The applicant is a California corporation, the articles of which were duly filed with the Secretary of State on April 5, 1957. A certified copy of these articles is attached to the application in this matter.

Applicant, who has not as yet commenced operations, requests authority herein to construct and operate a public utility water system in a territory comprising approximately 7,500 acres in the Brea Canyon area of Los Angeles County southwest from Pomona, California, and also authority to issue stock and other securities in connection with the operation of this company.

A public hearing was held before Commissioner Ray E. Untereiner and Examiner Grant E. Syphers on February 27, 1958, in Los Angeles, at which time evidence was adduced and the matter submitted.

The evidence discloses that the area proposed to be served is presently being used for ranching purposes. The owners plan to develop this land for residential and commercial purposes and in this connection it is planned to eventually serve water to about 20,000 customers.

Exhibits Nos. 1, 2, and 3 are maps of the area showing its location and the proposed zoning.

Exhibit No. 2 is a map showing the location of the principal pipe lines and storage facilities to be installed by applicant. It is proposed that these facilities will be financed through the issuance of securities. The applicant proposes to finance extensions from this basic system by means of the main extension rule approved by the Commission in Decision No. 50580 issued September 28, 1954 in Case No. 5501.

The area is entirely within the boundaries of the Walnut Valley Water District. This district receives water from the Metropolitan Water District and presently stores it in a 3-billion-gallon reservoir which is located to the north and east of the Diamond Bar area. It is proposed by applicant to install a distribution system connected with this reservoir, which system will be expanded as the territory is developed.

Exhibit No. 5 is a copy of an agreement between the applicant and the Walnut Valley Water District under the terms of which the water company proposes to purchase water.

As previously indicated, the applicant is not yet in operation and accordingly it was not possible to present a statement showing the results of operations. However, authority is requested in this application to issue 12,000 shares of common stock, each share having a par value of \$100, or an aggregate par value of \$1,200,000, and also authority is requested to borrow a sum not exceeding \$1,800,000 and to issue therefor promissory notes. All money realized from the sale of stock and the issuance of notes is to be used in the construction of the water system referred to herein.

As to the stock, it is proposed to sell the shares for cash at par value. It is also proposed to issue promissory notes over a five-year period as the demand requires, which notes will be issued to stockholders or private investors at an interest rate of 6 per cent.

It is contemplated that large portions of the utility plant will be constructed within the next five years and accordingly the five-year period for financing is proposed.

There was no opposition to these proposals, and based upon all of the evidence in this record we hereby find that public convenience and necessity require the construction of the proposed water system, and we further find that the issuance of stock and securities is not adverse to the public interest.

The applicant also requested authority to exercise a franchise from the County of Los Angeles; however, the testimony discloses that this franchise has not, as yet, been granted to the applicant, and at the hearing the attorney for applicant agreed to file a supplemental application if and when such franchise is granted. Therefore, no order relative to a county franchise will be made in this decision.

The rates proposed to be charged are set out in Exhibit G, attached to the application. The proposed schedule of rates for general metered service reflects no differential in the minimum charge between a 5/8 x 3/4-inch meter and a 3/4-inch meter. Offering the lesser service through a 5/8 x 3/4-inch meter at the same minimum charge is obviously discriminatory. Since applicant proposes to install 3/4-inch meters on practically all residential services, no rate for a 5/8 x 3/4-inch meter will be authorized at this time. As the system develops, if applicant finds the need for rendering this type of service, this Commission's General Order No. 96 indicates the proper procedure for filing an appropriate rate for a 5/8 x 3/4-inch meter.

Applicant has presented comprehensive estimates of the results of operation under the proposed rates for the years 1959 through 1971. The estimates generally indicate that said rates are appropriate. These rates will be authorized in the ensuing order.

The certificate herein granted 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 action taken herein shall not be construed to be a finding of the value of the property herein concerned.

O R D E R

Application having been filed, public hearing having been held thereon, and the Commission having made the foregoing findings and based upon such findings,

IT IS ORDERED:

(1) That Diamond Bar Water Company, a California corporation, be, and it hereby is, granted a certificate of public convenience and necessity to construct and operate a public utility water system in Los Angeles County in the area set forth on a map marked Exhibit 1 in this proceeding, and as more particularly described in Exhibit C of the application.

(2) That applicant be and it hereby 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 on five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That Diamond Bar Water Company shall finance with its own funds all of the costs of all water system back-up facilities, including but not necessarily limited to production, storage, transmission and primary main feeder distribution facilities other than those local distribution facilities necessary to furnish service from the nearest main feeder lines to and entirely within individual subdivisions, tracts, housing projects, industrial developments or organized service districts, which local distribution facilities are covered by advances under the main extension rule to be filed by applicant.

(4) That applicant shall file within sixty days after the system is placed in operation under the tariff schedules authorized herein, four copies of a comprehensive map, drawn to an indicated scale not smaller than 600 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 the 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 for each plant account and at intervals of not more than three years. Results of these reviews shall be submitted to this Commission.

(6) That Diamond Bar Water Company, a corporation, after the effective date hereof, may issue, sell, and deliver 12,000 shares of common stock, each share having a par value of \$100, for a total of \$1,200,000, each share to be sold at par value for cash.

(7) That Diamond Bar Water Company, after the effective date hereof, may issue, sell, and deliver, in exchange for cash, at par, promissory notes in a sum not to exceed \$1,800,000.

(8) That Diamond Bar Water Company shall use the proceeds for the issue of said stock and notes for the purposes set forth in the preceding opinion, it being the opinion of the Commission that the money, property or labor to be procured or paid for by the issuance of the stock and notes herein authorized is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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

(10) That the authority granted herein shall terminate if not exercised on or before March 15, 1963.

The authority herein granted to issue notes shall become effective when the Diamond Bar Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,400.

In other respects the authority herein granted shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of April, 1958.

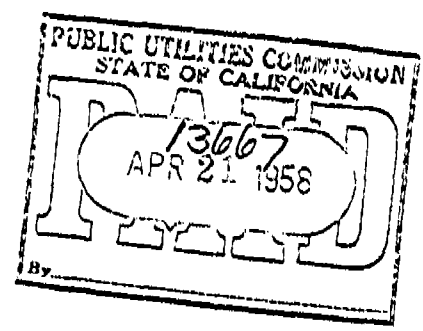
Jack E. Mitchell
President

Rayle Winters

William D. ...

E. Lynn Fox

Theodore J. ...
Commissioners



APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Diamond Bar Ranch located approximately 2 miles southwest of the City of Pomona, Los Angeles County.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	500 cu. ft. or less	\$ 3.00
Next	1,500 cu. ft., per 100 cu. ft.40
Next	3,000 cu. ft., per 100 cu. ft.30
Next	5,000 cu. ft., per 100 cu. ft.25
Next	40,000 cu. ft., per 100 cu. ft.20
Over	50,000 cu. ft., per 100 cu. ft.17
Minimum Charge:		
For	3/4-inch meter	3.00
For	1-inch meter	4.20
For	1-1/2-inch meter	5.00
For	2-inch meter	7.40
For	3-inch meter	10.20
For	4-inch meter	15.00
For	6-inch meter	25.00

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area known as Diamond Bar Ranch located approximately 2 miles southwest of the City of Pomona, Los Angeles County.

RATE

Per Month

For each hydrant \$ 2.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.