

ORIGINAL

Decision No. 57053

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

Gordon, Knapp, Gill & Hibbert, by Wyman C. Knapp,
for applicant.
A.L. Gielegem, Chester O. Newman and Alfred V.
Day, for the Commission Staff.

OPINION ON REHEARING

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 original application herein, filed on September 5, 1956, and amended by an amendment filed on July 8, 1957, it sought (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., ^{1/} (2) to establish rates, and (3) to issue stock.

^{1/} Depicted by Appendix A on the Amendment to the Application. A metes and bounds description of the area is set forth on pages 2 and 3 of said Amendment.

Public hearings in the matter were held in Los Angeles before Examiner Kent C. Rogers on July 10 and 11, 1957, and the application was submitted. On November 5, 1957, the submission was vacated and the matter was reopened for further proceedings. On the basis of information furnished to the Commission by the applicant the matter was resubmitted on December 4, 1957. Thereafter on February 4, 1958, the Commission issued Decision No. 56199 herein in which, among other things, the applicant was given authority to serve Tract No. 19301 only, a small portion of the area requested, and was prohibited from extending service beyond the boundaries of said tract without prior permission of the Commission.

On April 21, 1958, applicant filed a Petition for Rehearing requesting the removal of said restriction on the ground that the Department of the Army had requested applicant to extend service to an Army personnel housing area approximately 15,000 feet south of Tract No. 19301. On May 13, 1958, rehearing of Decision No. 56199 was granted. On June 18, 1958, a rehearing was held before Examiner Kent C. Rogers in Los Angeles and the matter was submitted.

The Applicant

The 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

above parties in exchange for cash. The applicant is affiliated with the Bouquet Canyon Water Company located eight miles to the west of the proposed service area, and it is contemplated that billings, service calls and collections will be made through the office of this affiliated company.

The Proposed Service Area

The originally 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 Railroad's 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 therein. The area 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 of Los Angeles County. This tract will be bisected by a freeway, will contain 136 residential lots, and will extend from the northern edge of the proposed service area to the northern edge of the Santa Clara River. 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, nor was any showing made as to public need for water service in the proposed 300 lot subdivision. Mrs. Shaffer does not intend personally to improve the property but will have the work done by construction companies. She is in the real estate business in the area and stated that she has had numerous calls from prospective home owners inquiring when the area would be opened for housing.

In addition, applicant seeks authority to extend an 8-inch main from the southeast corner of Tract No. 19301 approximately 15,000 feet along Sand Canyon Road to a 32-family housing area for military personnel. This extension would end at the west entrance to the housing area at a 6-inch meter. There are approximately 47 families residing on Sand Canyon Road between Tract No. 19301 and the said housing area. Approximately the same number reside in the immediate vicinity of said road.

Sand Canyon Road is situated on a comparatively flat area surrounded by rather precipitous hills. The level area on which the road is located varies from 1/2 mile to one mile in width and the property surrounding the road is zoned for 2-acre homesites. At the northern end adjacent to the Santa Clara River the elevation

of the road is approximately 1,525 feet. At the housing area the elevation is 1,890 feet. Applicant requests that it be authorized to furnish domestic water, in addition to the original request, to an area extending for 1/4 mile on each side of Sand Canyon Road between Tract No. 19301 and the housing area.

The Proposed System and Water Supply

There are three wells which will be available to applicant at the outset of operations. One of these wells is in the 100-foot-square parcel of land and two are on the 10-acre parcel, both referred to supra. These wells have been tested for purity and potability. The wells and parcels 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 a deep-well pump, will be equipped with a 100-horsepower motor and deep-well pump which it is estimated will produce 1,000 gallons of water per minute. The maximum production of this well is estimated to be 3,500 gallons of water per minute. It will furnish applicant's principal original source of water. One of the wells in the 10-acre tract is unequipped and applicant proposes to place the above referred to 20-horsepower motor and pump on this well. The second well in the tract is equipped with a 10-horsepower motor and pump. No production was given for 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 considerable additional water may be developed.

In addition to the water-bearing land above referred to, applicant will acquire from Mrs. Mary E. Shaffer a 1-1/4-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 original service area and approximately 200 feet above the wells, at an elevation of approximately 1,700 feet. Applicant will install thereon a 50,000-gallon storage tank. An additional 50,000-gallon storage tank will be installed by applicant at the same elevation as the first tank at a location along Sand Canyon Road on a permanent easement to be granted applicant free of charge. Water from the wells would be pumped into both of said storage tanks and permitted to flow by gravity from there into the service area around and below Tract No. 19301. Water will then be delivered to the housing area through an 8-inch main. A 50,000-gallon storage tank will be installed adjacent to and immediately north of the housing area at an elevation of approximately 2,018 feet, or approximately 300 feet above the tanks serving Tract No. 19301. This tank will be on a parcel of land donated to applicant at no cost to it. A 75-horsepower booster pump in connection with check valves will boost the water to the upper tank. In order to control the pressure at the bottom end of the line to the upper storage tank, pressure reduction valves will be installed at individual connections as needed. Water will be fed by gravity from the upper tank through a 6-inch meter to the Army housing area.

It is 3,325 feet from the Casola Well to the first storage tank. A system of 4- 6- and 8-inch mains is to be installed on

Tract No. 19301 and the cost thereof will be subject to refund to the subdivider based on the water revenues derived from the tract and in accordance with the refund contract. The proposed method of refund to the housing unit is subsequently herein explained.

The Department of the Army originally requested that service to the housing unit be authorized and has presented a proposed agreement relative to such service (Exhibit A on the Petition for Rehearing) whereby the Department will advance \$43,014.54 for the estimated cost of construction of a 6-inch transite main from Tract No. 19301 to the housing development, such advance to be subject to refund on the basis of 22 percent of the gross revenue derived from water used by the Army for a period of not more than 20 years. The water is to be furnished to the Army by applicant at applicant's authorized rates, treating the housing development as one customer served through a 6-inch meter. Subsequently, at the request of residents along Sand Canyon Road applicant agreed to furnish water to such of them as desire it. Applicant contemplates furnishing service to about 60 of such residents within one year. In order to accommodate these people and others who may be served from further extensions from the proposed main, applicant proposes to increase the main to 8 inches at an additional cost to applicant of \$10,000. Applicant proposes to pay 22 percent of the gross revenues derived from the sale of water through said main to the Army as part of its refund.

Eight Sand Canyon Road property owners appeared in support of the application. They were familiar with the proposed rates and are willing to pay the same. Their wells are inadequate for their needs.

All services are to be metered. Fire hydrants will be installed in Tract No. 19301 by applicant and charges for such

service will be pursuant to contract which will be submitted to the Commission for approval. The Army will arrange its own fire protection facilities and no fire protection facilities are contemplated along Sand Canyon Road.

No franchise rights are presently sought to be exercised. Applicant intends to comply with the franchise requirements of the County of Los Angeles and upon the acquisition of the franchise to thereafter seek authority from the Commission to exercise rights and privilege grants thereunder.

Under the contract with the Army applicant agrees to have 510 gallons of water per minute continuously available at 50 pounds or more pressure. This, however, is for fire protection mainly and the estimated daily demand is 26,000 gallons. At the outset of service applicant will have not to exceed 196 customers including the Army. Its continuous supply of 1300 gallons of water per minute appears adequate.

Financing

Applicant's shareholders propose to contribute \$60,000 in cash in exchange for 6,000 shares of its no par value common capital stock. Applicant in turn proposes to make the following use of such cash:

(a) Acquire from Mrs. Mary E. Shaffer the 10-acre and the 100-foot-square parcels of land and the 1-1/4-acre parcel of land referred to above for the sum of \$11,250.

(b) Purchase pipe, fittings, meter boxes and meters, including one 6-inch meter, for approximately \$12,990.

(c) Acquire and install three 50,000-gallon storage tanks at a cost of \$4,500.

(d) Acquire and install a 100-horsepower pumping plant at the Casola Well and a 75-horsepower booster pump at the Lower Sand Canyon Tank No. 2 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 a transmission main from the Casola Well to the tanks at the northern end of Sand Canyon Road at a cost of \$3 per foot for a total of \$9,950.

(g) Use \$10,000 to pay the difference in cost between the 6-inch main paid for by the Army and the 8-inch main necessary for service along Sand Canyon Road.

(h) Pay \$1,000 organization expenses and use the balance of the \$60,000, i.e. \$1,110, for working cash.

Applicant's request for authority to issue 6,000 shares of no par value stock at \$10 per share to finance the acquisition and extension of the water system and wells and to pay organization expenses, all totaling \$60,000, 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 11-1/4 acres of land. Applicant values the bare land at approximately \$750 per acre.

In addition to the amount of \$12,990 for the installation of services and meters and certain other facilities, it is to be noted that the applicant proposes to install all wells, pumps and fittings, an 8-inch line from the wells to the two storage tanks near Tract No. 19301, the tanks, the booster pump and check valves at its own expense. The cost of the balance of the facilities, including mains in Tract 19301, the transmission mains from the said

tract to the Army housing, and the necessary valves other than pressure valves, will be advanced by the subdivider and the Army. It is estimated that the subdivider will advance \$17,816 toward the cost of installation in Tract No. 19301, and the Army will advance \$43,015 toward the cost of the transmission main along Sand Canyon Road for a total of \$60,831. Applicant will provide an estimated \$60,000 worth of facilities. This gives the applicant very nearly a 50 percent equity in the plant and system.

An item of 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. It 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. This \$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.

Rates

Applicant proposes the following schedule of rates:

- (a) 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</u> <u>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

Meter Size	Minimum Charge
For 5/8x3/4"	\$ 3.50
1"	4.50
1-1/2"	8.00
2"	12.00
3"	20.00
4"	30.00
6"	50.00

The Minimum Charge will entitle the consumer to the quantity of water which that 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, referred to supra, which was certificated in 1949. The rates therein are \$2.75 for the first 1100 cu.ft. or less, with a 5/8"x3/4" meter. The witness stated that the proposed rates are higher than the rates in the Bouquet Canyon system due to the increased costs of material and labor.

Conclusion

From the record herein it appears, and we now find, that public convenience and necessity require the granting of the certificate of public convenience and necessity as hereinafter set forth, 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 that it should be permitted to file the schedule of rates as proposed.

The Commission is of the opinion and finds that money, property, or labor to be procured or paid for by the issuance 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.

ORDER ON REHEARING

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 HEREBY ORDERED that Decision No. 56199, dated February 4, 1958, be and it is canceled, and in lieu thereof,

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 the following areas:

(A) Tract No. 19301, Los Angeles County.

(B) Department of the Army Housing Area, the legal description of which is as follows:

Those portions of Lot 1 in Section 36, Township 4 North, Range 15 West, S.B.M., and Lot 4 in Section 1, Township 3 North, Range 15 West, S.B.M., in the County of Los Angeles, State of California, described as a whole as follows:

Beginning at a point in the north line of said Section 1, distant along said line N.87°11'20"E. 293.80 feet from the northwest corner of said Section 1; thence north 223.15 feet; thence east 178.30 feet, thence south 180 feet; thence S.43°54'33"E 475.40 feet; thence south 365 feet, more or less, to the center line of Sand Canyon Road, 60 feet wide; thence along said center line westerly 485 feet, more or less, to a line bearing south from the point of beginning; thence north 723.57 feet to the point of beginning.

(C) That territory extending 1/4 mile on each side of Sand Canyon Road, Los Angeles County, between Tract No. 19301 on the north and a point 400 feet beyond the Department of the Army Housing Area described in (B) above, on the south.

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 principal water production, storage and distribution facilities, and the location of the various water system 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 1 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 6,000 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 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
29th day of July, 1958.

[Signature]
[Signature] President
[Signature]
[Signature]
Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain unincorporated territory in Soledad Canyon, including Tract No. 19301 and an area adjacent to each side of Sand Canyon Road, northeasterly 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 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
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.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Certain unincorporated territory in Soledad Canyon, including Tract No. 19301 and an area adjacent to each side of Sand Canyon Road, northeasterly 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.