

ORIGINAL

Decision No. 57644

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of LFC WATER COMPANY, a corporation, for a certificate of public convenience and necessity to operate a public utility corporation in Las Flores Canyon (Los Angeles County) and to issue capital stock.

Application No. 40168

RUSSELL R. LAW,

Complainant,

vs.

Case No. 5996

DEER PATH MUTUAL WATER COMPANY,
PRINGLE & BRUNSON, a copartnership,
LARRY PRINGLE, as Executor of the
Estate of CLAIR B. BRUNSON, Deceased,
and the Estate of CLAIR B. BRUNSON,
Deceased,

Defendants.

Gordon, Knapp, Gill and Hibbert, by Hugh Gordon and H. C. Alphson, for applicant in Application No. 40168, and for Pringle & Brunson, a copartnership, Larry Pringle, as Executor of the Estate of Clair B. Brunson, Deceased, and the Estate of Clair B. Brunson, Deceased, defendants in Case No. 5996.

Keatinge and Older, by Edward C. Cazier, Jr., for complainant. R. F. Dexter, for Deer Path Mutual Water Company, defendant. Richard A. Perkins, for Malibu Township Council, interested party.

Chester O. Newman, for the Commission staff.

O P I N I O N

Hearings in the above-entitled matters were held before Examiner Grant E. Syphers on September 25, 1958, in Los Angeles, at which time evidence was adduced and the matters submitted subject to

the filing of a late-filed exhibit. This now has been filed and the matters are ready for decision.

Case No. 5996 is a complaint by a consumer of water, requesting that this Commission order the defendants to furnish water service to him at reasonable rates. At the hearing all parties agreed to and requested dismissal of this complaint in the event that Application No. 40168 be granted. This application is a request for authority to conduct a public utility water corporation service, to establish rates and to issue 5000 shares of capital stock, each share having a par value of ten dollars.

The evidence discloses that in 1950, C. B. Brunson began construction work on a water system in connection with the development of a certain real estate subdivision. Water service was furnished to various users as they purchased land in the subdivision and constructed houses, and C. B. Brunson, and his estate after his death, has been and now is serving water in the area. Subsequent to the death of Mr. Brunson, the Brunson Estate entered into an agreement with the Deer Path Mutual Water Company whereby that company undertook to read the meters and collect the payments of the users of the water system. Money collected by the mutual water company is retained by it as a recompense for the service of reading the meters.

The present applicant is a corporation formed May 2, 1958, for the purpose of operating this water system. Its sole stockholder is Larry Pringle who is executor of the will and estate of C. B. Brunson.

This corporate applicant proposes to serve water to an area which is coextensive with the Brunson Estate. At the present

time one area, consisting of approximately 29 acres, has been subdivided and there are now 12 homes constructed in this area. In addition, a second area, consisting of 55 acres, is to be subdivided into 35 residential parcels of land. The total area of the Brunson Estate consists of 130 acres of which, as above indicated, it is planned to develop 84 acres at the present time. The water supply is obtained from five wells, each located within the proposed service area. There are two 21,000-gallon reservoirs. The testimony shows that these wells will produce between 26 and 31 gallons per minute. According to this record these wells are adequate to provide service to the existing users but there is some question as to whether or not these wells are adequate to provide for the possible 53 consumers which are planned for this area. It should be noted that in the first development there will be a maximum of 18 homes and in the second development a maximum of 35 homes.

Testimony was received from some of the existing users of the water service and each testified that the present water service is adequate. However, one user expressed some concern as to the continued adequacy of the water service should too many more users come into the area.

There was no opposition to the proposed certificate and there is no other water service in the area. Accordingly, upon this record, we find that public convenience and necessity justify the issuing of a certificate. However, in view of the possibility that the existing water supply may not be sufficient to serve the entire area should too many residents move in, the applicant will not be permitted to extend water service to new users unless and until the

existing water service is adequate. On this record it appears that the existing water service is adequate to serve the present users of which there are 12. There also appears to be sufficient water service for some additional services. However, a certificate will be granted only for the first development and the applicant will not be permitted to extend beyond this area at this time.

On this basis the applicant may plan for the eventual extension of its water system. Upon development of additional sources of supply or furnishing satisfactory evidence that the water supply will be adequate to permit extension the utility may by further application request additional certification.

The rates proposed to be charged were not objected to by the staff or any other party to the proceedings. They include a charge of \$5.00 for the first 500 cubic feet of water and \$0.75 for each additional 100 cubic feet. Also there are minimum charges proposed for various meter sizes. While there were differences as to the estimated results of operations under the proposed rates between the staff estimates and those of the company, these differences are of no significance in this hearing since the company estimate showed a loss and the staff estimate did not show an excessive rate of return. Likewise the applicant subsequently has accepted the staff's estimates for the purpose of these proceedings. These estimates are as follows for the calendar year 1958:

Operating Revenues	\$ 3,000
Total Operating Expenses	<u>2,764</u>
Net Revenue	\$ 236
State Corporation Tax	<u>25</u>
Net Revenue after Corporation Tax	\$ 211
Federal Income Tax	<u>63</u>
Net Revenue after Taxes	\$ 148
Depreciated Rate Base	\$ 39,200
Rate of Return	.38%

We hereby find that the rates proposed are reasonable and they will be authorized herein.

The applicant requested authority to issue 5000 shares of capital stock, each share having a par value of \$10, or a total value of \$50,000; 4750 of these shares are proposed to be issued to Larry Pringle, as executor of the will and estate of C. B. Brunson, in exchange for all of the properties of the water system; 250 shares are to be issued in exchange for \$2500 in cash which will be paid by the aforesaid Larry Pringle, in his representative capacity, and which is to be used as working cash capital. There was no opposition to the proposal to issue stock. However, upon the basis of our determination in this proceeding, it appears to us that the stock, so far as the issuance of shares in exchange for the existing water system is concerned, should be limited to 3920 shares. The Commission is 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 purpose specified herein and that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income.

In the light of the findings and conclusions made hereinabove, the complaint in Case No. 5996 will be dismissed.

O R D E R

Application as above entitled having been filed, public hearings having been held, and the Commission having made the foregoing findings,

IT IS ORDERED:

1. (a) That LFC Water Company, a corporation, be and it hereby is granted a certificate of public convenience and necessity to construct and operate a public utility water system to provide service in the area designated in Record of Survey No. 1768, Los Angeles County, as shown on the map identified as Exhibit No. 5 in this proceeding.

(b) That applicant shall not extend service outside of its certificated area without further order of this Commission.

2. That applicant is authorized and directed to file, after the effective date of this order, the rates set forth in Appendix A attached hereto, to be effective on and after January 1, 1959, together with rules acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates and rules shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. That applicant shall file, within sixty days after the effective date of this order, four copies of a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such 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, within sixty days after the effective date of this order, file 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 water system properties of applicant.

5. Beginning with the year 1958, applicant shall determine depreciation expense by multiplying the depreciable utility plant, exclusive of plant provided through contributions in aid of construction, by a rate of 4.0%. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

6. That applicant shall, when additional meters are installed on the system, use dials on such meters which show registration in cubic feet rather than in gallons, and that upon repairing of present meters they shall be converted so that their dials read in cubic feet rather than in gallons.

7. That the LFC Water Company is authorized to issue not to exceed 4170 shares of its capital stock, each share having a stated par value of \$10 for a maximum total of not to exceed \$41,700 to Larry Pringle as executor of the will and estate of C. B. Brunson, 3920 of such shares to be in exchange for the water system properties, materials, supplies and working cash, and 250 shares to be exchanged for cash.

8. That the LFC Water Company shall file with the Commission, a report of reports as required by General Order No. 24-A and, at the same time, shall file a copy of each journal entry used to record on its books the issue of such stock and the acquisition of the water system properties, materials, supplies, working cash, and invested cash.

IT IS FURTHER ORDERED that the complaint of Russell R. Law in Case No. 5996 be and it hereby is dismissed without prejudice.

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

Dated at San Francisco, California, this 25th day of November, 1958.

C. Lynn Fox
President
W. E. Butcher
W. H. Goble
Theodore Jensen
Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Las Flores Mesa and vicinity, located in Las Flores Canyon near U. S. Highway 101 and approximately 9 miles north of the City of Santa Monica, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	\$ 5.00
Over	500 cu.ft., per 100 cu.ft.....	.75

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 5.00
For	3/4-inch meter	7.50
For	1-inch meter	10.00

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