

ORIGINAL

Decision No. 57839

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of COWAN HEIGHTS WATER
COMPANY to operate a water system
in the vicinity of El Modena, Orange
County; to establish rates, and to
issue stock.

Application No. 40060

Rutan, Lindsay, Dahl, Smedegaard, Howell &
Tucker, by W. K. Lindsay, for applicant.
Chester Newman and Richard Entwistle, for the
Commission staff.

O P I N I O N

Cowan Heights Water Company, a California corporation, hereinafter referred to as applicant, was formed on June 20, 1957, for the purpose, among others, of operating a public utility water corporation. By the application herein, filed on May 6, 1958, it seeks (1) a certificate of public convenience and necessity authorizing the acquisition, installation, and operation of a public utility water system in an approximately 800-acre tract of land known as the Cowan Ranch, situated in county territory in the vicinity of El Modena, Orange County, California, (2) authority to issue stock, and (3) authority to establish rates. Applicant will apply for a franchise from the County of Orange.

A public hearing on the matter was held in the City of Orange, California, before Examiner Kent C. Rogers, on November 7, 1958, and the matter was submitted subject to the filing of a well test (Exhibit No. 5). This exhibit has been filed and the matter is

ready for decision. Prior to the hearing notice thereof was mailed to all water users in the proposed service area and was published in a local newspaper. There were no protests.

The Applicant

The applicant's directors are Walter R. Cowan, Reno H. Sirrine and May Watson. Walter R. Cowan is the president and Reno H. Sirrine is the secretary. It has an authorized capital structure of 5,000 shares of no par value stock. Reno H. Sirrine, Inc., hereinafter referred to as Reno, is a California corporation which owns most of, and is subdividing but not building homes or other structures in, the service area known as the Cowan Ranch. Walter R. Cowan is the secretary and principal stockholder of Reno. All stock proposed to be issued pursuant to the herein application is to be issued to Reno in exchange either for stock in the Seven Hills Mutual Water Company hereinafter referred to as Seven Hills, or for water systems and facilities heretofore built in subdivisions in the Cowan Ranch.

General Information

Reno has, or will acquire before the effective date of the order herein, 450 shares of the common stock of Seven Hills Mutual Water Company, a California corporation.^{1/} The book value of said stock is allegedly \$41,445, or \$92.10 per share. Each share of stock entitles the holder to 1/1000 of Seven Hills available water, the

^{1/} The record shows that no water should be delivered to land-owners in Cowan Ranch unless they hold stock in the mutual. As land was sold for homesites, stock was delivered by Reno to some and not to other homesite purchasers. Reno has, or can acquire, all of the mutual stock issued to supply water to the Cowan Ranch and will transfer it to applicant when the requested authority is granted.

total of which amounts to 237.4 miner's-inches at present (Exhibit No. 2). Reno desires to exchange said 450 shares of stock for 450 shares of applicant's stock. Reno owns reservoirs, pipe lines, pumping equipment, and other assets in Tracts Nos. 2174 and 3021 in Cowan Ranch. For water service in these tracts, water mains, reservoirs, pipe lines, equipment and other assets have been installed by Reno at a claimed cost of \$39,580.46. Reno desires to transfer said property to applicant for shares of stock of applicant at the rate of \$92.10 per share, or a total of 429.7 shares. In addition, Reno has installed water mains and services in Tracts Nos. 3193 and 3338 in Cowan Ranch at a cost of \$23,939.89. Applicant desires to acquire these facilities from Reno pursuant to a contract whereby Reno will transfer said assets to applicant and applicant will agree to pay annually to Reno, without interest, after the commencement of service through said system in said tracts, a sum equal to 22 percent of the gross revenue received from the sale of water by applicant in said tracts.

In addition there is a small subdivision surrounding the Cowan Ranch Reservoir. The applicant proposes to install therein a tank and pumping plant to provide adequate pressure to this subdivision. The subdivider will deliver the balance of the system to applicant free of charge.

The Proposed Service Area

The proposed service area is shown on Exhibits Nos. 1-A and 4 herein and comprises approximately 800 acres known as the Cowan Ranch, hereinbefore referred to. Approximately 100 of these acres are in subdivided tracts (Exhibit 1-A). When it is completely

subdivided the area will contain approximately 800 lots varying from two acres to one-half acre in size. At present there are approximately 51 connections served by Reno with water secured from Seven Hills. The land in the service area is hilly, varying in elevation from 450 feet to 850 feet. Reno has a 250,000-gallon reservoir at an altitude of approximately 800 feet. This reservoir is part of the facilities to be acquired by applicant. Some services are and will be above the 800-foot level and some will be at the 450-foot level. As a result, applicant will be forced to install boosters near the reservoir, and reduction valves at low levels. Applicant will install the necessary reduction valves or boosters as needed.

The Proposed System and Water Supply

The present source of water supply is one well owned by Tustin Mutual Water Company located on Fairhaven Avenue at an elevation of 208 feet approximately three miles west of the area requested for certification. The pumping equipment on this well has recently been tested and produced approximately 1,050 gallons of water per minute (Exhibit No. 5). Water is pumped from this well into a 1.5 million-gallon reservoir located at an elevation of 297 feet and owned by the Tustin Water Works. Seven Hills boosts its share of water from this reservoir to its 1.5 million-gallon reservoir situated at an elevation of 660 feet located near the proposed service area of applicant. From this reservoir the applicant is to receive its share of water at its booster plant located within the proposed service area and at an elevation of 640 feet. Here the water is chlorinated and boosted into the above-referred to reservoir having a capacity of 250,000 gallons. Water is then delivered by gravity to the applicant's customers. The booster

station to be acquired by applicant has a maximum production of 766 gallons per minute.

Applicant, by virtue of stock ownership in Seven Hills, will be entitled to 106.83 miner's-inches (961 gallons per minute), based on ownership or control of 45 percent of the shares of Seven Hills.

The area requested for certification by the applicant is also within the Metropolitan Water District of Southern California, and this company may in the future endeavor to obtain water from that source. The closest transmission line of this district is approximately two miles distant.

Applicant's engineer has estimated a monthly water use of 5,000 cubic feet per customer based upon actual water use in the past of the present domestic customers. Maximum development of the area requested for certification, utilizing this estimated water usage and assuming 800 lots at full development, indicates an average water requirement of 4 million cubic feet per month. Water available, based upon stock ownership, indicates 5.44 million cubic feet per month allowable. At present, irrigation water is being used on the unsubdivided portion and is being sold at the general meter rates. As residential development continues, the irrigation usage will diminish and it is anticipated that a lower actual water use per acre will result.

The 250,000-gallon reservoir to be acquired by applicant is not at a sufficient elevation to adequately supply all of the present customers with a water pressure greater than 25 pounds per square inch. Complete development of the area will require additional pumping and storage facilities and/or pressure tanks to serve customers located at high elevations.

Water main types and sizes as installed by Reno throughout the developed area comply with the material specifications as set forth in General Order No. 103 with a few exceptions.

Applicant has secured a permit from the Orange County Health Department for Tracts Nos. 2174, 3021 and 3193, and will obtain a permit for the entire system.

All services are to be metered.

Reno proposes to acquire 879.7 shares of applicant's stock. In exchange for 450 shares of Seven Hills, which is valued in Reno's books at \$92.10 per share (Exhibit G on the application), applicant will issue 450 shares of its no par value stock to Reno. In addition, Reno will transfer existing systems and facilities in Tracts Nos. 2174 and 3021, shown on Reno's books as having a value of \$39,580.46 (Exhibit J on the application), to applicant in exchange for 429.7 shares of applicant's no par value stock. These transactions would fix the value of applicant's stock at \$92.10 per share at the time of original issuance. Applicant will be authorized to issue not to exceed 880 shares of its no par value stock to Reno H. Sirrine, Inc., for the purpose of acquiring the mutual stock and assets referred to.

Applicant intends to acquire water mains and service in Tracts Nos. 3193 and 3338, heretofore installed by Reno, at a cost of \$23,939.89, and to enter into a contract for the reimbursement to Reno of the cost thereof. This contract will not be in accordance with the Main Extension Rule and is not, in fact, a main extension. Inasmuch as this contract is not before the Commission,

its execution cannot be authorized. If applicant wishes to enter into such a contract or agreement, a separate application must be filed with the Commission requesting approval of same.

Rates

Applicant proposes the following schedule of rates:

Minimum Charges

	<u>Per Meter</u> <u>Per Month</u>
1-inch or smaller	\$3.00
1½-inch	6.00
2-inch	9.00
3-inch	12.00
4-inch	15.00

Quantity Rate

0 to 1,000 cu. ft., per 100 cu. ft.	\$.30
Next 19,000 cu. ft., per 100 cu. ft.15
Over 20,000 cu. ft., per 100 cu. ft.105

Flat Rate

	<u>Per Month</u>
1-inch	\$5.00
1½-inch	10.00
2-inch	18.00
3-inch	25.00
4-inch	35.00

Meters to be installed as soon as available.

Fire Hydrants

\$4.00 per month.

Applicable to all fire hydrants to be used by the county fire department.

Construction Rate

\$3.00 per month during construction period not to exceed one year.

The proposed flat rate schedule is intended to apply temporarily in case of a meter shortage. Since there is no shortage at the present time and the utility is obligated to obtain the facilities necessary to render service, this flat rate schedule will not be authorized.

Applicant proposes no schedule of rates for a 5/8 by 3/4-inch meter, or a 3/4-inch meter. Instead, applicant requests the same

monthly minimum charges for 1-inch and smaller meters. We do not feel that this is proper and the rate schedules hereinafter authorized will provide for lower monthly minimum charges for meters smaller than the 1-inch size.

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 as hereinafter set forth, subject to the conditions set forth in the order herein and 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.

In order to assure that additional water supplies will be made available as required in the future, the applicant will not be permitted to extend service outside of the area herein certificated without further authority from the Commission.

Applicant will be authorized to file the rates as proposed, other than those for general flat rate service, but modified to reflect monthly minimum charges for meters smaller than 1-inch.

The Commission is of the opinion and finds that the 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 expense or to income.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on

its investment in plant, and that the approval herein given is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

An application having been filed, a public hearing 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 as follows:

(1)(a) That Cowan Heights Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water company in the unincorporated territory of Orange County known as the Cowan Ranch and bounded as set forth in Exhibit B attached to the application herein.

(b) Applicant shall not extend service outside the area herein certificated without further authority from this Commission.

(2) That Cowan Heights 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 the Commission and in accordance with General Order No. 96. Such rates, rules, and tariff service area map shall become effective upon five days' notice to the Commission and the public as hereinabove provided.

(3) That Cowan Heights 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 Cowan Heights 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 more than 600 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 Cowan Heights 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 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 the Commission.

(6) That Cowan Heights Water Company, after the effective date hereof, may issue not to exceed 880 shares of its no par value stock to Reno H. Sirrine, Inc., for the purposes specified in the foregoing opinion.

(7) That Cowan Heights Water Company, within 180 days after the effective date of the order herein, shall furnish this Commission in writing with an inventory of all of its property and the related costs and reserve requirements associated therewith.

(8) That Cowan Heights Water Company shall file with the Commission a monthly report as required by General Order No. 24-A, which order, in so far as applicable, is hereby made a part of this order.

(9) That the authority herein granted will expire unless 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
6th day of January, 1959.

Leo L. Fox
President
Robert E. Holt
Michael D. Hall
Theodore J. Jensen
Commissioners

APPENDIX A
Page 1 of 3Schedule No. 1
GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Cowan Ranch, located approximately 2 miles northeast of Tustin, Orange County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700 cu. ft. or less	\$ 2.55
Next	19,300 cu. ft., per 100 cu. ft.15
Over	20,000 cu. ft., per 100 cu. ft.105

Minimum Charge:

For	5/8 x 3/4-inch meter	2.55
For	3/4-inch meter	2.70
For	1-inch meter	3.00
For	1 1/2-inch meter	6.00
For	2-inch meter	9.00
For	3-inch meter	12.00
For	4-inch meter	15.00

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

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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 Cowan Ranch, located approximately 2 miles northeast of Tustin, Orange County.

RATE

Per Month

For each hydrant \$4.00

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.

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Schedule No. 9FC

CONSTRUCTION FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished at flat rates for construction purposes.

TERRITORY

The unincorporated area known as Cowan Ranch, located approximately 2 miles northeast of Tustin, Orange County.

RATE

	<u>Per Month</u>
For each service connection	\$ 3.00

SPECIAL CONDITIONS

1. The above rate applies to service connections not larger than one-inch in diameter.
2. Service under this schedule will be furnished only during the initial construction period of a residence or other building, and in no event for longer than one year.