

Decision No. 58894**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the operations, contracts, practices, and service of BURWOOD WATER COMPANY, a corporation, BURWOOD COMMERCIAL PROPERTIES, INC.; BURWOOD CONSTRUCTION COMPANY, and BURWOOD CONSTRUCTION CORPORATION, in furnishing water service in Rolling Oaks Ranch, near Thousand Oaks, Ventura County.

Case No. 6233

In the Matter of the Application of BURWOOD WATER COMPANY, a corporation, for an order authorizing the issue of stock, for a certificate of public convenience and necessity to acquire and maintain a water system, and for an order fixing water rates.

Application
No. 39655

Berne Rolston, for applicant.
Raymond E. Darden and Merritt W. Bradshaw, for
 Rolling Oaks Property Owners Association;
Ernest Q. King and Dorothy M. Fargo,
 in propria persona.; protestants.
Walter H. Young, for Rolling Oaks Property
Owners Association, interested party.
Richard Entwistle and C. O. Newman, for the
 Commission staff.

O P I N I O N

The applicant, Burwood Water Company, is a California corporation which herein requests a certificate of public convenience and necessity to acquire, install, and operate a water system in a proposed subdivision known as Rolling Oaks Ranch, which consists of an area of approximately 443 acres located approximately 1½ miles west of the town of Thousand Oaks and south of Ventura

Boulevard in Ventura County. The area is broken down into three units: Unit No. 1 consisting of 143 acres, Unit No. 2 of 155 acres, and Unit No. 3 of 145 acres. In total it is proposed to have 128 lots.

Public hearings were held in Thousand Oaks before Examiner Grant E. Syphers on September 18 and October 10, 1958. At these hearings various residents and property owners of the area appeared and raised questions concerning the adequacy of the service and facilities, and also questioned whether or not there was any responsible management to conduct the proposed water service. As a result of this situation the Commission on March 10, 1959, issued an order of investigation in Case No. 6233. Further public hearings were held on this order of investigation and the pending application on May 6 and June 2, 1959. On all of these dates evidence was adduced and on the last-named date the matter was submitted. It now is ready for decision.

Evidence introduced at the hearing on June 2, 1959 indicated that Burwood Water Company could assume the obligations of providing public utility water service, thereby obviating the need for completing the investigation instituted by the Commission's order in Case No. 6233. The order herein will provide for its discontinuance.

The evidence discloses that the applicant company was reorganized on April 7, 1959, the following named officers being installed as of that date: Andrew Evangelatos, an attorney at law, as president; Victor E. Kaplan, an attorney at law, as vice president; Angeline Ferris, as secretary; and Daniel C. Cathcart, an attorney at law, as treasurer. All of the stock proposed to be issued by Burwood Water Company will be issued to Burwood Construction Company. Burwood Construction Company is engaged in the business of subdividing and building, and is wholly owned by one Raoul D. Magana.

It is proposed that Burwood Water Company will issue 5,500 shares of stock to Burwood Construction Company in exchange for water distribution facilities now installed and for well sites. In addition, it will issue 50 shares for cash at a par value of \$10 per share.

The applicant water company has no assets or liabilities as of the present time. A financial statement of Burwood Construction Company was filed as an exhibit in this matter and a pro forma statement of Burwood Water Company, showing the condition of the applicant as it will be if and when the stock is issued, was also filed. This pro forma statement indicates that the applicant company as of that time will have the following assets and liabilities:

ASSETS

Cash on hand	\$	500.00	
Land, equipment, distribution system, pumps		<u>105,115.78</u>	<u>\$105,615.78</u>

LIABILITIES

Capital stock	\$	55,500.00	
Paid-in surplus		<u>50,115.78</u>	<u>\$105,615.78</u>

It is the plan of this applicant to operate the water company and to expand it as the development and occupancy of the land progress.

The record discloses that adequacy of water supply is a serious issue in this matter. The staff has recommended that the authorized service area be restricted to Unit No. 1. The applicant has testified that it has not yet met the requirements of Ventura County in regard to water supply for Units No. 2 and No. 3. In view of this, the order herein will restrict the service area of applicant to Unit No. 1.

The facilities which are proposed to be used in this water system consist of four wells and a water distribution system. The wells are designated as Nos. 1, 2, 3 and 4, No. 3 being the main

source of supply. Well No. 1 has a production of 77 gallons per minute; Well No. 2, 40 gallons per minute; Well No. 3, 65 gallons per minute, and Well No. 4, 40 gallons per minute. Well No. 3 is equipped with a submersible electric pump, and Well No. 2 is equipped with a gasoline-driven unit. It is planned to use Well No. 2 as a standby.

The system has a 108,000-gallon distribution tank and a 24,000-gallon receiving tank. These tanks are connected to a booster pump and pipeline. As of the present time there are seven houses completed in the area and the residents are receiving water through the distribution system. These receivers of water presented testimony in the hearings indicating that the water service has not been satisfactory in the past. There have been numerous occasions during the past two years when they were without water. Furthermore, the users complain that they have not been able to find any responsible management for this company, and inasmuch as this water company is owned by the real estate developer it was the position of these users that they should receive adequate water service. The users allege that the real estate developer in selling the property to them so warranted.

During the course of the hearings the applicant did make improvements to the system, and on the last day of hearing it was testified that the water system was now in satisfactory operating condition.

The record developed that no health certificate had been obtained for the four wells which the company proposed to use to provide water service. The order which follows will be conditioned upon receiving such approval.

Upon this record we now find that the presently installed system is adequate to provide service to Unit No. 1 of the proposed area, but requires that standby operation of Well No. 2 be assured.

At the final hearing in these matters assurances were given that under the reorganized company a satisfactory management would be available. The company will have a local man available at all times, and a consulting engineer to advise the officers of the company.

The proposed rates are as follows:

GENERAL METERED SERVICE

Quantity Charge:	<u>Per Meter Per Month</u>
First 800 cu.ft., per 100 cu.ft.	\$.75
Next 2,000 cu.ft., per 100 cu.ft.60
Next 2,000 cu.ft., per 100 cu.ft.45
<u>Over</u> 4,800 cu.ft., per 100 cu.ft.30 ✓

Minimum Charge:

For 1-inch meter	6.00
For 1½-inch meter	9.00
For 1½-inch meter	12.00
For 2-inch meter	18.00
For 3-inch meter	25.00
For 4-inch meter	40.00

FLAT RATE SERVICE

	<u>Per Month</u>
For 1-inch service	\$ 21.50
For 1½-inch service	26.00
For 1½-inch service	32.50
For 2-inch service	45.40
For 3-inch service	58.50

PUBLIC FIRE HYDRANT SERVICE

For each 4-inch fire hydrant	\$ 2.00
For each 6-inch fire hydrant	4.00

Testimony developed that under company proposed rates the cost of water at an estimated average usage of 3,300 cubic feet per month per customer would be two to eight times the charge of nearby utilities for comparable water usage. In view of the lack of

experience as to usage and costs, and in view of the applicant's statement that rates at this time are not an issue, the meter rate schedule shown as Schedule No. 1 in Appendix A will be authorized.

(Such schedule represents a substantial reduction as compared to the rates proposed by applicant.)

Due to the apparent scarcity of water supply the staff recommendation regarding metering will be adopted and no authorization will be made herein for general flat rate service.

An analysis of all of the evidence presented in these proceedings leads us to make the following findings:

(1) That Case No. 6233, the Commission's order of investigation, be discontinued.

(2) That there is no other service in the area proposed to be served, and we now find that public convenience and necessity require the issuance of a certificate for Unit No. 1, being a portion of the area requested.

(3) The rates herein authorized are found to be just and reasonable for the service to be furnished by this utility. Inasmuch as this is a new company, there is no satisfactory estimate as to the rate of return which will be allowed by these rates, but the authorized rates are comparable to existing rates for other similar companies.

(4) The request for the issuance of 5,550 shares of common stock, each share having a par value of \$10 or a total aggregate value for all shares of \$55,500, such shares to be issued 5,500 to Burwood Construction Company in exchange for the well sites and water distribution system and 50 shares to be issued for cash, is reasonable. The Commission is of the opinion 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 purpose specified herein, and that such purpose is not in whole or in part reasonably chargeable to operating expense or to income.

The ensuing order will authorize the issuance of the certificate of public convenience and necessity and of the stock as above indicated.

The authority herein granted covering the issuance of shares of capital stock is not to be construed to be a finding of the amount to be included in a rate base for the purpose of determining just and reasonable rates.

The order of investigation in Case No. 6233 will be discontinued inasmuch as the record discloses that the applicant now has installed a satisfactory water distribution system.

The certificate of public convenience and necessity issued herein is subject 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.

O R D E R

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

IT IS ORDERED:

1. That the Commission's investigation, Case No. 6233, be discontinued.
2. That Burwood 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 serve Rolling

Oaks Ranch Unit No. 1, being a portion of Section 15, Township 1 North, Range 19 West, S.B.B. & M., subject to the condition that the certificate herein granted shall not become effective until applicant shall have certified in writing to the Commission, over the signature of a responsible officer, that it has obtained a water supply permit, as required by the Health and Safety Code of the State of California, for all wells from which water is to be introduced into the system being certificated herein, such permit to be acceptable to this Commission.

3. That applicant is authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order, to become 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 upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. That applicant shall notify this Commission, in writing, of the date service is first furnished to the public under the rates and rules authorized herein, within thirty days thereafter.

5. That applicant shall file, within sixty days after the date service is first rendered under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 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.

6. 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, and shall review the accruals as of January 1 of the year following the date service is first rendered under the rates and rules authorized herein, and thereafter when major changes in plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

7. That applicant shall, prior to the date service is first rendered under the rates and rules authorized herein, install a permanent connection to Well No. 2 to provide a standby supply for its water system, and shall report to the Commission in writing of the completion of such connection within ten days thereafter.

8. (a) That applicant shall, prior to the date service is first rendered under the rates and rules authorized herein, install meters on the service connections of all customers, and shall report to this Commission in writing of the completion of such meter installations within fifteen days thereafter.

(b) That applicant shall, subsequent to the completion of meter installations required by paragraph 8(a) above, furnish all service, other than fire hydrant service, on a metered basis only.

9. That Burwood Water Company is authorized to issue to Burwood Construction Company not to exceed 5,550 shares of its common stock, each share having a stated par value of \$10, for a maximum total of not to exceed \$55,500. At least fifty shares of this stock shall be issued for cash and the remainder may be issued in exchange

for the well sites and water distribution system to be transferred to the water company.

10. That Burwood Water Company shall file with this Commission a report or reports as required by General Order No. 24A, which order, insofar as applicable, is made a part of this order.

IT IS FURTHER ORDERED that Burwood Water Company shall not extend its water service outside of the boundaries of said area being certificated herein, known as Rolling Oaks Ranch Unit No. 1, without further order of the Commission.

The authorization herein granted will expire if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 18th day of August, 1959.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners

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

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Rolling Oaks Ranch near Thousand Oaks, Ventura County.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	\$ 3.00
Next	1,500 cu.ft., per 100 cu.ft.40
Next	8,000 cu.ft., per 100 cu.ft.30
Over	10,000 cu.ft., per 100 cu.ft.20

Minimum Charge:

For	5/8 x 3/4-inch meter	3.00
For	3/4-inch meter	4.00
For	1-inch meter	6.00
For	1-1/4-inch meter	9.00
For	1-1/2-inch meter	12.00
For	2-inch meter	18.00
For	3-inch meter	25.00
For	4-inch meter	40.00

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

TERRITORY

The unincorporated community of Rolling Oaks Ranch near Thousand Oaks, Ventura County.

RATES

	<u>Per Month</u>
For each 4-inch fire hydrant	\$2.00
For each 6-inch fire hydrant	4.00

SPECIAL CONDITION

The company shall not be required to supply water at a higher pressure than is available from time to time as a result of its normal operation of the system.