

ORIGINAL

Decision No. 60519

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LESSER WATER COMPANY  
to construct and operate a water  
system, authority to issue stock  
and for the establishment of rates  
to consumers in Newbury Park,  
Ventura County, State of California.

Application No. 41863

Pettler & Gamble, by H. Douglas Gamble, for  
applicant.  
Richard R. Entwistle and Chester O. Newman,  
for the Commission staff.

O P I N I O N

By the application herein, filed on January 15, 1960, Lesser Water Company, a corporation, seeks authority to construct and operate a domestic water system in Ventura County, California, to issue stock and a note, and to establish rates.

A public hearing on the application was held before Examiner Kent C. Rogers in Los Angeles on May 25, 1960, at the conclusion of which submission was deferred pending the filing of certain exhibits. These exhibits have been filed and the matter is ready for decision.

Background.

Applicant is a California corporation formed on June 18, 1959, primarily to sell water for domestic and commercial purposes. Its articles of incorporation were filed with the California Secretary of State on June 19, 1959. It is thereby authorized to issue 20,000 shares of stock having a par value of \$100 per share, including 17,500 shares of preferred stock earning 5 percent per annum, cumulative. The remainder are common shares which have no

stated rate of income but have the exclusive voting rights and powers except that if at any time eight or more quarterly dividends (whether consecutive or not) on the preferred shares shall be in default, in whole or in part, the holders of the preferred shares shall be entitled to elect the smallest number of directors which shall constitute a majority of the authorized number of directors.

The present officers of the corporation are Alvin Lesser, President; Gerald Mallot, Secretary-Treasurer; and William Mallot, Vice-President.

Affiliated with applicant are the subdivider, Jeanne Homes, Inc., the officers of which are William Mallot, President, Gerald Mallot, Vice President, Louis Lesser, Vice President, and Alvin Lesser, Secretary; Louis Lesser Enterprises, Ltd., the land-owning company, a limited copartnership whose general partners are Louis Lesser, William Mallot, Alvin Lesser, Louis Redman and Luis Lomas; and Bilmalco, Inc., which has William Mallot as President, Louis Lesser as Vice President, and Alvin Lesser as Secretary-Treasurer.

At the outset stock is to be issued to the limited partnership in exchange for cash, as hereinafter set forth, and the note to Jeanne Homes, Inc.

#### The Service Area

The proposed service area contains 315 acres in Ventura County (Exhibit C in the application) in which are to be constructed 908 single-family residences, 31 multiple-dwelling units, one school, and two commercial buildings.

Applicant proposes to develop immediately Unit No. 1 (Tract No. 1111), containing 94 single-family residences on 14 acres of land (Exhibit J-5 in the application). This unit is under construction at present.

Tentative plans have been prepared for Unit No. 2. There will be a total of six units or subdivisions and development of

units subsequent to the first two will depend upon the volume of sales (Exhibit J-1).

The Water Supply and System

At the outset applicant intends to develop Tract No. 1111 located in the northwest corner of the proposed service area (application, Exhibit J-1). There are nine wells in the service area with a total production of 501 gallons of water per minute. Four of these wells (Wells Nos. 1, 2, 3 and 4 (Exhibit J-1) are equipped and will be used to supply the initial development (Tract No. 1111). Their total production is 124 gallons per minute. A 420,000-gallon storage tank is to be constructed on Jenny Drive near the first subdivision. Boosters having a total capacity of 2,400 gallons per minute are to be installed to pump water from the tank into the system. The original subdivision will be supplied through a system of 10-inch, 6-inch and 4-inch mains. After the original construction additional wells may be drilled if needed and an additional storage tank of 420,000 gallons will be constructed. There appears to be a difference of opinion about the adequacy of the underground storage to meet the needs of the proposed development (Exhibit No. 2, p. 6; Exhibit No. 3, p. 2). It appears, however, that applicant will have an adequate supply for the first subdivision, provided Well No. 6 or Well No. 7 (55 and 75 gallons per minute respectively) is connected to the system in conjunction with Wells Nos. 1, 2, 3 and 4.

Applicant has health permits for Wells Nos. 1, 2 and 3. A health permit for Well No. 4 has been requested.

Applicant will have a management company service the system, maintain it, and collect bills. This will give water users 24-hour service by local parties.

Rates

Inasmuch as there is a short supply of water, there will be no flat rates authorized.

The proposed metered and fire hydrant rates are as follows, and are found to be reasonable:

Metered Rates

<u>Minimum Charges for</u>	<u>Per Meter Per Month</u>
5/8-inch meter .....	\$ 4.00
3/4- " " .....	4.50
1- " " .....	6.00
1 1/2- " " .....	8.00
1 3/4- " " .....	12.00
2- " " .....	25.00
3- " " .....	50.00
4- " " .....	80.00

Quantity Rates

First 500 cu.ft. or less .....	\$ 4.00
Next 1500 cu.ft. per 100 cu.ft. ....	.25
Next 3000 cu.ft. per 100 cu.ft. ....	.20
Over 5000 cu.ft. per 100 cu.ft. ....	.15

Fire Hydrant Rates

For any type fire hydrant installed and maintained at the expense of the Company and connected for service

	<u>Per Hydrant Per Month</u>
From a 4-in. main, risers 3-in. dia. or less	\$ 1.50
From a 6-in. main or larger main, risers 3-in. dia. or less .....	1.50
4" x 2 1/2" single outlet from 4-in. main ....	1.50
4" x 2 1/2" single outlet from 6-in. main ....	2.00
4" x 2 1/2" single outlet from 8-in. main , or larger .....	2.50
4" x 2 1/2" double outlet from 4-in. main ....	2.50
4" x 2 1/2" double outlet from 6-in. main ....	3.00
4" x 2 1/2" double outlet from 8-in. main, or larger .....	4.00
6" x 2 1/2" double outlet from 6-in. main, or larger .....	5.00

Franchise

The County of Ventura requires that applicant secure a franchise to use the public streets. The applicant informed the Commission that it has secured such a franchise. It should file an application for authority for its exercise.

Financing

In order to obtain funds with which to construct and acquire the initial system and the distribution facilities in Tract No. 1111, which will cost an estimated \$131,530, including the cost of the acquisition of a franchise, and legal expenses, applicant proposes to issue 500 shares of common stock and 500 shares of preferred stock having a total par value of \$100,000, to Louis Lesser Enterprises, Ltd., and to issue a promissory note for \$31,530 to Jeanne Homes, Inc., to cover the cost of the initial distribution system, including meters, in Tract No. 1111.

Inasmuch as these costs represent the costs of the original water production, storage system and distribution systems, the method of financing appears permissible except as to the issuance of preferred stock. We find that the issuance of preferred stock at this time would be contrary to the public interest in light of the anticipated financial operating results of applicant. We will authorize the issuance of 1,000 shares of common stock. Should this be unsatisfactory to applicant, it may make further representations to the Commission. The applicant is advised that it has shown no value for water rights and, accordingly, it will not be authorized to place any value on such rights.

Applicant will also be permitted to issue the promissory note as proposed.

The Staff Report

The staff checked the application, investigated the matter, and made several recommendations. It was mainly concerned with the water supply. The restrictions contained in the order should, in our opinion, protect the water users.

The Commission has considered the above-entitled application and all evidence presented at the hearing thereon. Based upon said evidence, the Commission is of the opinion and finds that public convenience and necessity require that applicant be granted a certificate of public convenience and necessity to acquire, construct, and operate a public utility water system in that portion of the territory requested, for which an adequate showing has been made, consisting of the initial development only, subject to the conditions and restrictions set forth in the order herein, and it will be so ordered. This authority will be subject to the additional restriction that applicant shall not extend its service or plant to territory outside its certificated area without further order of this Commission.

The certificate of public convenience and necessity herein granted 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.

We further find that the money, property or labor to be procured or paid for by the issuance of the securities 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.

In issuing our order herein we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, nor the total 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 the value of applicant's stock or properties, nor as indicative of amounts to be included in its rate base for the determination of just and reasonable rates.

Applicant will be authorized to file the fire hydrant and metered rates as provided in the order following.

The request to issue stock and a promissory note will be granted as set forth in the order herein.

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 on said findings,

IT IS ORDERED that Lesser 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 unincorporated portion of Ventura County, State of California, designated as Tract No. 1111, in the area known as Conejo Valley Estates, as delineated in Exhibits Nos. J-1 and J-5 attached to the application in this proceeding.

The certificate herein granted is subject to the following conditions:

- a. That prior to the commencement of service either Well No. 6 or Well No. 7 shall be placed in service and applicant shall advise this Commission, in writing, of such action within ten days thereafter.
- b. That prior to the commencement of service applicant shall apply to the public health authority having jurisdiction for a water supply permit for whichever of said Wells No. 6 or No. 7 applicant plans to place in service as hereinabove required and shall report to this Commission, in writing, that application has been made for such permit, within ten days thereafter.
- c. That applicant shall not, without further order of this Commission, extend its plant or service outside the certificated service area described herein.

IT IS FURTHER ORDERED:

(1) That the applicant 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 this Commission and to the public after filing as hereinabove provided.

(2) That applicant 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.



(3) That applicant shall file, within thirty 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 not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land and territory served, the principal water production, storage and distribution facilities, and the location of the various water system properties of the applicant.

(4) 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 1st 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.

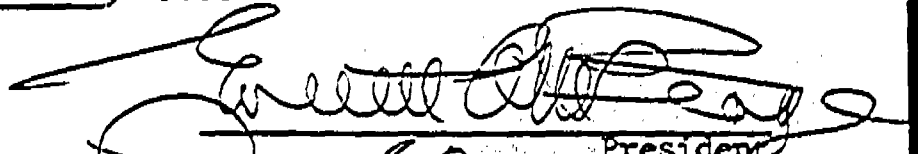

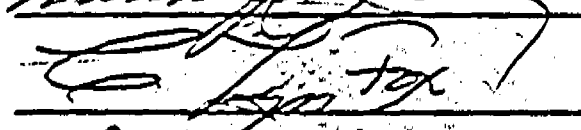
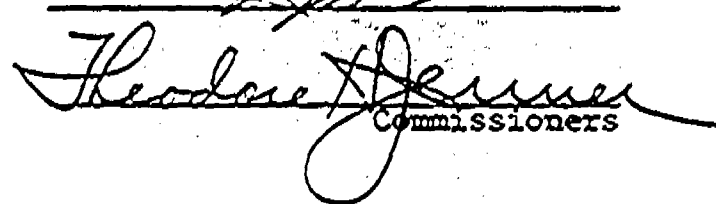
(5) That applicant, after the effective date hereof, may issue its promissory note in the principal amount of not to exceed \$31,530, with interest at the rate of not to exceed six percent per annum on the unpaid balance, to Jeanne Homes, Inc., in exchange for the transmission system and facilities in Tract No. 1111, as itemized in Exhibit No. E-3 on the application. A true copy of said note as executed shall be filed with the Commission within ten days after its execution and delivery.

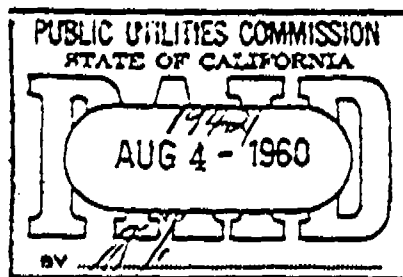
(6) That applicant, after the effective date hereof, may issue not to exceed 1,000 shares of its common stock to Louis Lesser Enterprises, Ltd., a partnership, for the purposes specified in the application herein and as itemized therein. The authority requested to issue 500 shares of preferred stock is hereby denied.

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

(8) That the authority herein granted to issue a note will become effective when applicant has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$32.00. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 2nd day of August, 1960.

  
President  
  
  
  
Commissioners



APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 1111 in the unincorporated area known as Conejo Valley Estates, approximately two miles west of Newbury Park, Ventura County.

RATES

		Per Meter Per Month
<u>Quantity Rates:</u>		
First 500 cu. ft. or less .....		\$ 4.00
Next 1,500 cu. ft., per 100 cu. ft. ....		.25
Next 3,000 cu. ft., per 100 cu. ft. ....		.20
Over 5,000 cu. ft., per 100 cu. ft. ....		.15
<u>Minimum Charge:</u>		
For 5/8-inch meter .....		\$ 4.00
For 3/4-inch meter .....		4.50
For 1-inch meter .....		6.00
For 1 1/4-inch meter .....		8.00
For 1 1/2-inch meter .....		12.00
For 2-inch meter .....		25.00
For 3-inch meter .....		50.00
For 4-inch meter .....		80.00

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

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## Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

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

TERRITORY

Tract No. 1111 in the unincorporated area known as Conejo Valley Estates, approximately two miles west of Newbury Park, Ventura County.

RATES

	<u>Per Hydrant Per Month</u>
3-inch Wharf Type Hydrant, or smaller	
Attached to 4-inch main, or larger .....	\$1.50
4-inch Standard Type Hydrant, with one outlet	
Attached to 4-inch main .....	1.50
Attached to 6-inch main .....	2.00
Attached to 8-inch main, or larger .....	2.50
4-inch Standard Type Hydrant, with two or more outlets	
Attached to 4-inch main .....	2.50
Attached to 6-inch main .....	3.00
Attached to 8-inch main, or larger .....	4.00
6-inch Standard Type Hydrant, with two or more outlets	
Attached to 6-inch main, or larger .....	5.00

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE (Contd)

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.