

Decision No. 61072**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LESSER WATER COMPANY )  
 to extend service to contiguous )  
 territory; authority to issue promis- )  
 sory note under Extension Rules; )  
 Request for ex parte proceeding. )

Application No. 42597  
 (Amended)

O P I N I O N

The Lesser Water Company, a California corporation, by the above-entitled application filed August 24, 1960 and amended August 29, 1960, requests: (1) a certificate of public convenience and necessity to extend contiguously from its existing water system to serve Tracts Nos. 1112 through 1116, Ventura County, and (2) authorization to issue \$155,160 of its common stock to Louis Lesser Enterprises, Ltd., a partnership.

A field investigation was made in connection with this application in September and October of 1960 by a Commission staff representative of the Hydraulic Branch of the Utilities Division. The results of this investigation have been presented in a memorandum, which memorandum is hereby received in evidence as Exhibit No. 1. The staff investigation verified the factual data submitted by applicant.

Background

Applicant's present certificated area consists of Tract No. 1111, a 25-acre parcel of land situated in unincorporated territory approximately two and one-half miles west of Newberry Park, Ventura County. This area was certificated to applicant by Decision No. 60519 dated August 2, 1960 in Application No. 41863. In granting the certificate to serve Tract No. 1111, the decision denied applicant's request to serve Tracts Nos. 1112 through 1116 and restricted applicant

from making further extensions outside the area certificated therein without first obtaining authority from this Commission.

In the present application, applicant seeks a certificate to supply the remainder of the area originally requested: Tracts Nos. 1112 through 1116. Applicant stated, however, that a certificate for Tract No. 1116 is not essential at this time and that, if the Commission so desired, the application would be amended to delete Tract No. 1116, approximately 105 acres, leaving a net area of 207 acres to be certificated. The boundaries of the area requested herein and of Tract No. 1116 are both delineated in Exhibit B, attached to the application.

Applicant's original request for authority to issue a promissory note in the sum of \$155,160 and to issue other promissory notes to cover the installation of the distribution facilities, was amended on August 29, 1960. The amended application requests authorization to issue \$155,160 in common stock to finance off-site construction and applicant proposes to receive advances under its filed main extension rule to cover the cost of the distribution facilities.

#### Rates

Applicant proposes to furnish water service to the area requested herein under its existing rates, charges, and rules now on file with the Commission and in effect for its existing service within Tract No. 1111.

#### County Franchise

Applicant states that it submitted with its Application No. 41863, Ventura County Ordinance No. 362 granting it a County franchise. Decision No. 60519 in Application No. 41863 states applicant should file an application for authority to exercise said franchise. On October 10, 1960, Lesser Water Company filed Application No. 42742 for the required authority.

Water Supply and System

In Application No. 41763, applicant stated it had drilled nine wells in the service area with a total production of 501 gallons of water per minute. At that time, however, applicant had received water supply permits for only three of the wells. In the current application, applicant states it has obtained permits for a total of six wells with a combined output of 254 gallons of water per minute.

Applicant is in the process of drilling three additional wells. Exhibit J, attached to the application, states that, under ultimate growth of the Lesser Water Company, the amount of water necessary to supply Tracts 1111 through 1116, approximately 700 acre-feet per year, will be greater than the estimated 390 acre-feet per year safe yield of the underground basin. The staff report, Exhibit No. 1, indicates that this safe yield is sufficient to supply water for Tracts Nos. 1111 through 1115, but is not sufficient to also supply water for Tract No. 1116 without overdrawing the basin.

Exhibit J indicates that the area to be served by Lesser Water Company is located in a part of the Calleguas Water District. This district had an election on October 11, 1960 and voted to join the Metropolitan Water District. This should make possible the supplementing of local sources of water at some future date.

The staff report, Exhibit No. 1, shows the total daily capacity of the existing six wells to be 366,000 gallons. Applicant proposes to install an additional 420,000-gallon storage tank, giving it a total of 840,000 gallons of storage. Consequently, the maximum amount of water available from wells and storage to meet peak-day requirements is 1,206,000 gallons.

The staff estimated the peak-day requirements for Tracts Nos. 1111 through 1115 to be 1,008,000 gallons when these tracts are fully developed. This peak-day requirement for domestic use is in addition to the fire flow of 1,000 gallons per minute for a 4-hour duration required by Ventura County.

In addition to the second 420,000-gallon storage tank to be installed, applicant intends to equip seven wells, and install approximately 9,000 feet of 4-inch, 6-inch, and 8-inch transmission mains to transmit the water from the wells to the storage reservoirs for treatment and distribution.

#### Financing

In order to obtain funds with which to construct and acquire the facilities necessary to develop, gather, and store the water to supply the new tracts, applicant has requested authorization to issue \$155,160 of its common stock to Louis Lesser Enterprises, Ltd. Exhibit D-4, attached to the application shows that these funds are to be used for the following purposes:

420,000-gallon reservoir	\$ 30,000
Pumping plant piping	5,000
Well site pumping equipment (7 wells)	52,500
Transmission mains, 4-in., 6-in., and 8-in.	31,800
Engineering and contingencies	<u>25,860</u>
Total	\$145,160*

\* Total is erroneously shown as \$155,160 in Exhibit D-4.

Exhibit D-4 indicates that applicant proposes to use its standard main extension contract, on file with this Commission, to finance the distribution mains, services, meters, and hydrants. Since meters are not included in the standard main extension contract and no showing has been made by applicant concerning same, applicant will not be authorized by the order herein to finance the cost of meters in this manner.

Of the original 2,500 shares of common stock provided for by applicant's Articles of Incorporation, which shares have a par value of \$100 each, applicant was authorized by Decision No. 60519 to issue 1,000 shares, leaving 1,500 shares unissued. The order herein will authorize the issue of the remaining 1,500 shares of common stock to Louis Lesser Enterprises, Ltd. for the purpose, supra, and the purchase and installation of meters.

Except for the inclusion of the cost of meters in main extension contracts, applicant's proposed method of financing appears reasonable and will result in its equity being greater than 50% of the total investment in plant upon full development of Tracts Nos. 1111 through 1115.

Findings and Conclusions

There appear to be no utilities, publicly or privately owned, with which applicant is likely to compete within the area for which a certificate is requested.

The Commission has considered this matter and is of the opinion, and so finds as a fact 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, less Tract No. 1116, subject to the conditions and restrictions set forth in the order herein, and that a public hearing is not necessary.

Applicant's showing does not indicate that the present general restriction against further extension of service outside of the area certificated to it should be removed at this time. The order herein will provide for continuation of that restriction.

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, and labor to be procured or paid for by the issuance of the common stock 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, or the total value of the shares, or 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.

O R D E R

The above-entitled application having been filed, investigation having been made, public hearing not being necessary and the matter now being ready for decision; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it hereby is granted to Lesser Water Company to construct and operate a public utility water system for the distribution and sale of water within Tracts Nos. 1112, 1113, 1114 and 1115, Ventura County, as those tracts are delineated in Exhibit B, attached to the application in this proceeding.

IT IS HEREBY FURTHER ORDERED that:

1. Lesser Water Company shall not extend service outside of the territory certificated to it without authority first having been obtained from this Commission.

2.a. Applicant is authorized to apply, after the effective date of this order, its presently effective tariff schedules to the area certificated herein.

b. Applicant shall file in quadruplicate with this Commission within thirty days after the effective date of this order and in conformity with General Order No. 96, revised tariff schedules, including a tariff service area map acceptable to this Commission, to provide for the application of said tariff schedules to the area

certificated herein. Such revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. 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 tracts of land and territory served, the principal water production, storage and distribution facilities, and the various water system properties of the applicant.

4. Applicant, after the effective date hereof, may issue not to exceed 1,500 shares of its common stock, at not less than par, to Louis Lesser Enterprises, Ltd., a partnership, for the purposes specified in the foregoing opinion.

5. Applicant shall file with the Commission, a report or reports as required by General Order No. 24A, which order, insofar as applicable, is made a part of this order.

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

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

Dated at San Francisco, California, this 15<sup>th</sup> day of NOVEMBER, 1960

[Signature]  
 President

[Signature]

[Signature]

[Signature]  
 Commissioners