

ORIGINAL

Decision No. 63794

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ROSA WATER COMPANY, a corporation, for a certificate of Public Convenience and Necessity authorizing Applicant to furnish water service to additional area in the vicinity of Santa Susana, Ventura County, California.

Application No. 43743
(Filed September 11, 1961)

Gibson, Dunn & Crutcher, by Raymond L. Curran, for applicant.

Durley, Todd, Cearnal & Marshall, by John B. Marshall, for Tapo Mutual Water Company, protestant.

H. Douglas Gamble, for Royal Water Company, and Marjorie Dimmick, interested parties.

Chester O. Newman and Richard R. Entwistle, for the Commission staff.

O P I N I O N

This application was heard before Examiner Kent C. Rogers at Santa Susana on December 14, 1961, and at Los Angeles on December 15 and 19, 1961. It was submitted on the last named date. Copies of the application and the notice of hearing were served and published as required by the Commission.

The application was protested by Tapo Mutual Water Company, whose attorney stated that protestant had filed an action to determine the rights of the various parties to water from Tapo Canyon, applicant's main source of supply, and that protestant will seek a temporary injunction if the Commission continues to grant

certificates of public convenience and necessity for water services using the Tapo Canyon water supply.

Applicant seeks herein a certificate to construct and operate a public utility water system in three areas totaling approximately 100 acres in Simi Valley, Ventura County, California. Each of the proposed service areas is adjacent or in close proximity to an area or areas now served by applicant.

By prior orders of the Commission applicant is prohibited from extending service to any area, territory or consumers without specific authorization from this Commission.

Applicant now provides domestic water to approximately 13 tracts or areas in eight separate locales in Simi Valley. These service areas total approximately 510 acres and were expected to contain approximately 1,193 homes on January 1, 1962. At maximum development applicant estimates all areas herein referred to will contain a total of approximately 2,264 services.

The proposed service areas are shown on Exhibit No. 1 herein and identified thereon by Nos. 1, 2 and 3.

Area No. 1 is contiguous to and on the south side of Los Angeles Avenue. It is split by Tapo Street and is in the unincorporated community of Santa Susana. The area extends approximately 600 feet east from Tapo Street and approximately 1,650 feet west therefrom.

A portion of this area, which is bounded on the north by Los Angeles Avenue and is approximately 300 feet from north to south, is an old subdivision originally developed around 1912 containing between 50 and 60 lots, the majority of which are unimproved.

The approximately 18 improved lots in this portion of the area were formerly served with water by the Santa Susana Mutual Water Company. In July, 1961, this company lost its source of supply and requested that applicant furnish its members with water. Applicant commenced serving the approximately 18 members of the mutual and entered into a contract with the mutual whereby the mutual agreed to advance to applicant \$4,500 to connect its system with that of applicant. This money is to be repaid to the mutual over a period of eight years. The applicant is to pay \$1.00 for the mains and services in place. Applicant will repair the existing system at its own expense, and install new facilities where required.

Applicant's witness stated it cannot estimate either the revenues, expenses or replacement costs of this portion of the service area. The applicant requests that the Commission approve the proposed agreement.

The remainder of Area No. 1 is known as Alondra Tierra, and contains approximately 38 acres divided into approximately 195 lots. Applicant stated that a developer has commenced construction of homes in 48 or more lots.

Applicant estimates that it will cost approximately \$56,365 to install facilities in this portion of the area, of which \$49,540 would be derived from advances for construction.

The rates are to be applicant's filed rates and charges. It estimates that in the Alondra Tierra portion of the

area its gross revenues will be approximately \$12,285 per year at full development and its annual expenses, exclusive of income taxes and refunds, will be \$7,764 per year.

Area No. 2 on Exhibit No. 1 is Tract No. 1294 which contains approximately 33 acres and is contiguous to Tract No. 1134 served by applicant pursuant to authority from this Commission. There are to be 142 lots, including its Unit No. 1 containing 70 houses, on which construction is to be started in the near future. Applicant estimates that the facilities to serve this tract will cost \$32,102, including \$4,970 for meters and meter boxes to be furnished by applicant. The subdivider will advance \$27,132 of remaining costs and will be repaid pursuant to applicant's main extension rule. The plan of this subdivision is shown on Exhibit F to the application. Applicant estimates that it will cost \$5,222 per year, exclusive of income taxes, to operate the system in this tract, and that the gross revenues will be \$8,946 per year. The rates will be those on file with this Commission.

Area No. 3 on Exhibit No. 1 is Tract No. 1133, contains approximately 11 acres of land, is zoned for commercial development, and on which a shopping center is to be constructed. This tract is also contiguous to Tract No. 1134, presently certificated to the applicant by this Commission. The tract is being developed by the developer of Tract No. 1294, and

no schedule of development has been formulated at present. Applicant estimates that there will be approximately 26 meters in this area and that the total cost of water facilities therein will be \$12,951 of which \$12,042 will be advanced by the developer and repaid pursuant to the applicant's main extension rule. A tentative plan of the development is shown on Exhibit G to the application.

Applicant estimates that its expenses for this area will be \$1,157, and that its revenues will be \$1,638 per year. Income taxes have not been deducted nor have the refunds been considered in these figures. The rates for service will be those on file and in effect.

It appears from a profit and loss statement for eleven months ending November 30, 1961, and a balance sheet as of that date, that applicant has notes payable totalling \$206,994 and accrued interest thereon as of that date of \$3,489. Applicant's president stated that this represents principal and interest of a short-term loan by a bank, and that by May, 1962, the loan will be paid by the issuance of capital stock. If applicant cancels this note by the issuance of capital stock, applicant will have equity capital of approximately \$315,000 and debt of approximately \$312,000, compared with the present capital structure of approximately three-to-one debt-to-equity ratio. It further appears that the refunds at full development in the presently certificated area will be approximately \$12,500 per year. Applicant obviously cannot pay such amounts out of its income and

remain solvent. Applicant has offered to extend to the subdivisions either on a basis of preferred stock in exchange for the system installed therein, provided that the issue be callable by the company, or by any reasonable method required by the Commission.

Applicant's water supply is derived from wells. All but one of these, with a total daily production of 415 gallons of water per minute, have an excess of dissolved solids to the extent that the Commission has ordered that any water therefrom used in the system must be mingled with more potable water. These wells and the water production determined by the staff are the Rebeccah Well, producing 100 gallons of water per minute, two Currier Wells, producing a total of 100 gallons of water per minute, two Sycamore Wells, producing a total of 150 gallons of water per minute, and the Katherine Well, producing 65 gallons of water per minute. This latter well, in addition to the excessive solids, contains excessive fluoride. The Tapo Well, referred to earlier, produces at present 800 gallons of water per minute; its water has only 473 ppm total dissolved solids.

Applicant has four storage tanks with a total capacity of 798,000 gallons of water. These tanks, named after the wells to which they are contiguous, are as follows: The Tapo Tank, having a capacity of 126,000 gallons; the Rebeccah Tank, 126,000 gallons; the Sycamore Tank, 336,000 gallons, and the Katherine Tank, 210,000 gallons (see Exhibit No. 1 for locations).

Applicant prepared a chart to show that the water supply, together with the storage, is more than adequate to supply the number of consumers expected by July 1, 1962, and that, even with fire flow requirements of 1,000 gallons of water per minute for four hours, or 240,000 gallons of water, applicant's water production and storage is sufficient to care for the peak demand for over 2,000 consumers.

Estimating that on January 1, 1962, the number of consumers would be 1,590 and that with ultimate development in the service areas referred to there would be 2,310 consumers, the Commission staff concluded that on January 1, 1962, including Ventura County fire flow requirements of 1,000 gpm for four hours, the water requirements during the peak hour would be 3,625 gallons per minute, and that at ultimate development the water requirements would be 4,810 gallons per minute. Using the total water supply of 1,215 gallons per minute from all wells, this shows a deficiency, according to the staff's estimates, during the peak hour, based upon the estimated number of customers as of January 1, 1962, of 2,410 gallons a minute, or, at ultimate development, 3,595 gallons of water per minute. In the staff's opinion, as of June 1, 1962, unless additional supplies are developed for peak hour demand, applicant should have 142,000 gallons of storage in addition to the 798,000 gallons of storage presently existing and, at ultimate development, 1,622,000 gallons of additional storage capacity. The staff engineer pointed out that these storage deficiencies could be reduced or eliminated by developing additional supplies of water, and he also pointed out that these figures consider the use by

applicant of all five wells, while the applicant at present is using only Tapo Well. In addition to the water supplies referred to, it appears that in the summer of 1963 applicant may have available Metropolitan Water District water secured through the Calleguas Municipal Water District, which will have a line in the vicinity of Simi. When this water is available applicant alleges there will be no limitation on the amount of water it will be able to secure.

Findings and Conclusions

Upon consideration of the evidence the Commission finds and concludes as follows:

1. Applicant has established that public convenience and necessity require that applicant extend service to the areas requested in the application.
2. Public convenience and necessity require that the application be granted as set forth in the ensuing order.
3. The proposed transfer from the Santa Susana Mutual Water Company to applicant is not adverse to the public interest.
4. The evidence fails to show that there is an adequate supply of potable water for the estimated ultimate number of consumers in the area requested, unless additional supply facilities, storage facilities, or some appropriate combination of both, are provided.
5. Applicant possesses the financial resources to construct and operate the water system extension as authorized herein.
6. Applicant's existing rates on file with this Commission are fair and reasonable for the service to be rendered and should be made effective in the areas certificated herein.

7. Applicant's water supply and its existing distribution facilities, together with the facilities in place and to be constructed in the Santa Susana Mutual Water Company area, will provide reasonable service for the Santa Susana Mutual Water Company area. New construction therein should meet the minimum requirements of General Order No. 103.

8. The money, property or labor to be procured or paid for by the incurring of the indebtedness 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.

9. Except as herein specifically authorized, the application should be denied.

The certificate hereinafter granted shall be 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

An application having been filed, public hearings having been held thereon, the Commission having made the foregoing findings and conclusions,

IT IS ORDERED that:

1. Rosa Water Company, a corporation, is hereby granted a certificate of public convenience and necessity to construct and

operate a public utility water system in the three areas within an unincorporated portion of Ventura County, State of California, designated "Requested Area" and delineated in orange on Exhibit No. 1 herein.

2. Applicant shall not extend its water system outside the boundaries of its certificated areas without further order of the Commission.

3. Applicant is authorized to apply its presently filed tariffs to the areas certificated herein.

4. Applicant shall file, within thirty days after the effective date hereof, in quadruplicate with this Commission in conformity with General Order No. 96-A and in a manner acceptable to this Commission, such revised tariff sheets including tariff service area maps, as are necessary to provide for the application of its present tariff schedules to the areas certificated herein. Such revised tariff sheets shall become effective upon five days' notice to this Commission and to the public after filing as hereinabove provided.

5. Applicant is authorized to execute the agreement (Exhibit J to the application) between applicant and Santa Susana Mutual Water Company, dated August 23, 1961. Two signed copies thereof shall be filed with this Commission within ten days after the effective date hereof. The authority herein granted shall become effective when Rosa Water Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

6. Applicant shall file, within thirty days after the effective date hereof, four copies of a comprehensive map drawn

to an indicated scale not smaller than 300 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 properties of the applicant in the areas certificated herein.

7. Applicant shall submit to the Commission, within sixty days after the effective date of this order, a report showing:

- (a) Additional supply facilities, storage facilities, or combination thereof, planned to be installed to insure an adequate supply of potable water for the ultimate development of the areas herein and heretofore certificated to applicant.
- (b) Estimated dates of completion of each such installation.

8. Applicant shall submit to the Commission, in writing, commencing September 10, 1962, and continuing until the facilities indicated in the preceding paragraph are in operation, bimonthly reports showing:

- (a) Progress made toward completion of said installations.
- (b) Number of active services at the end of the preceding month.

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

Dated at San Francisco, California, this 17th day of June, 1962.



[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners