

ORIGINAL

Decision No. 65089

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MEL-BRO WATER COMPANY, INC., a)
 California corporation, for a cer-)
 tificate of Public Convenience and)
 Necessity to Construct, Operate,)
 and Maintain a Water System in the)
 unincorporated area of Yermo, in the)
 County of San Bernardino, State of)
 California, under Section 1001 of the)
 Public Utilities Code of the State of)
 California, and AN APPLICATION FOR)
 PERMIT TO ISSUE STOCK, under Sections)
 816-830 of the said Public Utilities)
 Code.)

Application No. 44548
 (Filed June 13, 1962)

T. L. DeBord, for applicant.
C. E. Mahlum, for Marine Water Co.,
 interested party.
A. L. Gielegem and C. O. Newman, for the
 Commission staff.

O P I N I O N

This application was heard before Examiner Rogers at Barstow on December 19, 1962, at which time it was submitted, subject to the filing of certain information. This information has been filed and the matter is ready for decision. Copies of the application and notices of hearing were served in accordance with the Commission's procedural rules. There were no protests.

Applicant requests the issuance of a certificate of public convenience and necessity to construct a public utility water system in an initial area containing 35 acres, more or less, in San Bernardino County, California, in the vicinity of the unincorporated area of Yermo. In addition, applicant requests authority to establish rates, to issue stock, and to exercise a franchise.

Applicant is a California corporation. Its articles of incorporation were filed with the Secretary of State on May 22, 1962. The articles authorize the issuance of 2,500 shares of no-par-value common stock. It has four directors, Louis Helmer, Helen Helmer, Ernest H. Brown, and Thelma J. Brown. The officers are Louis Helmer, president, Helen Helmer, vice-president, and Ernest H. Brown, secretary-treasurer. These same parties are the shareholders of Hel-Bro, Inc., which owns or is acquiring the land being subdivided and to be supplied with water and is constructing homes therein.

Applicant has two wells in the vicinity of Tract No. 6598, its initial subdivision. One of said wells is equipped with a submersible pump driven by a 15 h.p. motor. This well, which will be the main source of water supply, is 180 feet in depth, has a 12-inch casing, is designed to produce 200 gallons per minute, and, on a test, produced between 254 and 987 gallons per minute. The other, or standby, well is 150 feet in depth, has an 8-inch casing, is equipped with a 15 h.p. motor, and is designed to produce 250 gallons per minute. According to the staff engineer, these wells could be operated simultaneously at the rates indicated without excessive interference. The wells will discharge into a 5,000-gallon hydropneumatic tank which is to be operated within a range of pressures sufficient to produce approximately 40 pounds per square inch in the system. The wells are connected by a 6-inch steel main. A 4-inch, 12-gauge, dipped and wrapped, transmission main extends from the 6-inch main 1,140 feet through the initial tract. The original system, as proposed, conforms with the minimum requirements of General Order No. 103 and will include three fire hydrants. The San Bernardino County Department of Public Health has approved the system.

Applicant has been granted a franchise by the county of San Bernardino pursuant to which it will pay to said county two percent of the gross annual receipts arising from the use, operation, or possession of said franchise in said county. At the hearing, applicant amended its application orally to request authority to exercise said franchise.

All services are to be metered and applicant proposes a schedule of rates as follows:

Schedule of Rates

First	700 cu.ft.	- minimum charge	\$ 3.00
Next	300 cu.ft.	- per 100 cu.ft.	.40
Next	1,000 cu.ft.	- per 100 cu.ft.	.35
Next	2,500 cu.ft.	- per 100 cu.ft.	.30
Next	5,000 cu.ft.	- per 100 cu.ft.	.25
Over	10,000 cu.ft.	- per 100 cu.ft.	.20

Minimum Charge:

5/8 x 3/4"	\$ 3.00
3/4"	4.50
1"	7.00
1-1/2"	10.00
2"	15.00

No fire-hydrant rates are proposed.

Applicant will start with the initial 22-lot Tract No. 6598, a subdivision comprising seven acres in which 20 homes and two commercial buildings are planned. Eight houses had been completed therein at the time of the hearing, all had been sold, and seven were occupied; in addition, 12 were under construction, of which four had been sold. This tract is very nearly level, varying in elevation from 1,940 feet to 1,945 feet. Plans for tentative Tract No. 6719 north of Tract No. 6598 have been submitted to the county for its approval. This tract will contain 11 acres divided into 42 lots.

Hel-Bro, Inc., is a land-owning and developing corporation, the stock of which is owned by Louis Helmer and Ernest W. Brown. This corporation owns the proposed 35-acre initial service area and has an option to purchase an additional 35-acre contiguous area. To facilitate development of the land and the sale of homes, it has constructed the water system herein referred to and intends to transfer said initial water system and the water supply to the applicant herein in exchange for stock in the water company. Applicant proposes to issue 2,000 shares of stock at \$10 per share, including one share of stock to each of the incorporators and the balance to Hel-Bro, Inc., in exchange for the public utility.

The utility plant in place has a stated cost of \$13,349, including costs of incorporation, well sites, tanks, transmission mains, meters, and hydrants. Applicant's original request was on the assumption that the plant was worth in excess of \$20,000. Subsequently, applicant furnished the Commission with revised initial development figures showing a total value in the initial plant and distribution system of \$13,349 with no working cash. We will permit applicant to issue 1,400 shares of stock at the stated value of \$10 per share to the parties listed in the application. Sixty-five of the outstanding shares shall be in exchange for working cash.

Applicant estimates that the total number of customers in the 35-acre development will be 140. The staff and applicant

estimate that, with the initial development of 22 customers, applicant will operate at a loss. Applicant's incorporators, Louis Helmer and Ernest H. Brown, are willing to back the applicant and lend it money with which to continue the operation until such time as it becomes self-sustaining.

As of December 31, 1961, Louis Helmer had a net worth of \$36,000 and Ernest H. Brown had a net worth of \$90,000.

The Commission staff found that the water is of good quality, with total dissolved solids of 273 parts per million. The staff is of the opinion that the initial 22-lot development probably will not produce revenues sufficient to cover operating expenses unless excessive rates are charged, and that, in the event the ultimate development is not obtained, the proposed operations would not become feasible. However, the record shows that this area is in the vicinity of the Nebo Base of the United States Marine Corps Supply Center in Barstow and that there is a demand for the type of homes Hel-Bro, Inc., proposes to construct in this area.

There is no other public utility water company in the immediate vicinity with which applicant is likely to compete.

The Commission finds that:

1. Public convenience and necessity require that the application be granted as set forth in the following order.
2. Applicant should be authorized to issue stock as set forth in the ensuing order.

3. 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 specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

4. Applicant will have the financial resources to acquire and operate the proposed water system.

5. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.

6. Applicant's water supply and distribution facilities will provide reasonable service for the proposed certificated service area and meet the minimum requirements of General Order No. 103.

7. A water supply permit from the health authority having jurisdiction has been applied for but not obtained.

8. Public convenience and necessity require the exercise by applicant of the rights and privileges granted in the franchise conferred by Ordinance No. 1031 of the board of supervisors of the county of San Bernardino dated October 8, 1962.

9. Applicant should be restricted against extending service to any contiguous or non-contiguous area without further order of this Commission.

The certificate hereinafter granted shall be subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the franchise involved herein, or the certificate of public convenience and necessity, or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the issuance of such franchise, certificate of public convenience and necessity or right.

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

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Mel-Bro Water Company, Inc., a corporation, authorizing it to construct and operate a public utility for the distribution and sale of water in that portion of San Bernardino County designated as "Water Service Area" on Exhibit "O" attached to the application herein and more particularly described as that portion of the NE 1/4 of Section 2, T9N, R1E, S.B.B. & M., delineated as follows:

Beginning at a point on the west line of the NE 1/4 of said Section 2, distant thereon southerly 363.98 feet from the NW corner of the NE 1/4 of said Section 2; thence northeasterly 1106.0 feet to a point distant southerly 201.61 feet from the northerly line of said Section 2; thence south 2237.76 feet to the northerly line of U.S. Highway 91, thence westerly 357.51 feet along the northerly line of said U.S. Highway 91, thence north 1194.00 feet, thence west 729.15 feet to the westerly line of the NE 1/4 of said Section 2; thence northerly 900 feet along the westerly line of said Section 2, to the point of beginning.

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

3. Applicant is authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order, to be effective on or before the date service is first furnished to the public under the authority herein granted, together with rules and a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96-A. 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.

4. 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.

5. 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 of not more than 400 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 applicant.

6. 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.

7. A certificate of public convenience and necessity is granted to Hel-Bro Water Company, Inc., to exercise the rights and privileges conferred by the franchise issued pursuant to Ordinance No. 1031 adopted October 8, 1962, by the board of supervisors of San Bernardino County.

8. Hel-Bro Water Company, Inc., after the effective date hereof, may issue not to exceed 1,400 shares of its no-par-value common stock to its officers and to Hel-Bro, Inc., at the rate of \$10 per share for the purposes specified in the foregoing opinion.

9. Hel-Bro Water Company, Inc., 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.

10. The authority herein granted will expire if not 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 19 day of MARCH, 1963.

George J. Hoover
President

W. H. [Signature]

Frederick B. Harboff

William G. [Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 6598 and vicinity, located near Yermo, San Bernardino County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	700 cu. ft., or less	\$ 3.00
Next	800 cu. ft., per 100 cu. ft.40
Next	1,000 cu. ft., per 100 cu. ft.35
Next	2,500 cu. ft., per 100 cu. ft.30
Next	5,000 cu. ft., per 100 cu. ft.25
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	4.50
For	1-inch meter	7.00
For	1 1/2-inch meter	10.00
For	2-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.