

ORIGINALDecision No. 66739

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIMAS-CHARTER
OAK DOMESTIC WATER COMPANY for a
certificate of public convenience
and necessity to extend its water
system operations, Los Angeles
County.

Application No. 45254
(Filed March 15, 1963)
(Amended June 19, 1963)

In the matter of the Application of
SUBURBAN WATER SYSTEMS, a California
corporation, for a certificate of
public convenience and necessity to
extend its water system operations,
Los Angeles County.

Application No. 45465
(Filed May 23, 1963)

Gibson, Dunn & Crutcher, by R. L. Curran and
Everett L. Clark, for San Dimas-Charter
Oak Domestic Water Company, applicant, and
protestants in Application No. 45465.

Guy, Smith & Wahl, by Arthur D. Guy, Jr., and
Vern McNeese, for Suburban Water Systems,
applicant, and protestants in Application
No. 45254.

H. O. Adair, Ugene U. Blalock, and M. P. Carlock,
for Forest Lawn Company; Everett A. Phillips,
for L. Dudley Phillips, et al, and City of
La Verne; and Richard R. Entwistle, in propria
persona, interested parties.

Duffy Atkinson and Karl F. Kohlhoff, for the
City of Glendora; and H. J. Yount, for
Vinnell Construction Company, Inc., protestant.

Hugh N. Orr, Donald B. Steger, Chester O. Newman,
and Raymond E. Heytens, for the Commission staff.

O P I N I O N

San Dimas-Charter Oak Domestic Water Company (Domestic)
originally sought a certificate of public convenience and necessity
to extend its water system to serve Tract No. 27929, comprising
47 acres and 423 acres adjacent to and north thereof, all in the
City of San Dimas.

Public hearing was held before Examiner Warner on May 24, 1963, at Los Angeles, and Suburban Water Systems (Suburban) appeared to protest because of its having, the day before, filed its application to serve approximately 2,900 acres of land including the area originally sought by Domestic, and including the Stafford Ranch area proposed to be developed by D. G. & H. Development Company (D.G.& H.) in the City of Covina north of Tract No. 27950.^{1/} Vinnell Construction Company, Inc., (sic)^{2/} and Forest Lawn Company (Forest Lawn) sought and were granted a continuance pending completion of plans being prepared by Charles Luckman Associates for the development of their properties comprising the Phillips Ranch in the City of San Dimas north of the San Bernardino Freeway and the Covina Ranch in unincorporated territory of Los Angeles County south of the freeway.

By its amendment, Domestic seeks a certificate covering substantially the areas sought by Suburban but including territory east of the City of Covina near the Masonic Home, and including Tracts Nos. 18828, 20408, and 21427,^{3/} all in unincorporated territory of Los Angeles County, but excluding Tract No. 27950 and the Stafford Ranch.

1/ By Decision No. 66096, dated October 1, 1963, in Application No. 45385, Suburban was granted a certificate to extend its water system to and in Tract No. 27950.

2/ Correctly, Vinnell Constructors (Vinnell).

3/ The record shows that Suburban has been furnishing water service to the Stafford Ranch and to Tracts Nos. 18828, 20408, and 21427, since 1956. It alleged that the extensions to provide such service were authorized under the "contiguous" provisions of Section 1001 of the Public Utilities Code; Suburban then sought no certificate therefor from this Commission.

Public hearings on a consolidated record were held before Examiner Warner on November 5, 6, 7, 8, 12 and 13, 1963 at Los Angeles. After oral argument, the matters were submitted on the last-named date. Copy of a letter, dated November 15, 1963, to all shareholders of San Dimas Water Company (San Dimas), a mutual company, from its president (also president of Domestic) has been received, by stipulation, as a late-filed exhibit.

SAN DIMAS-CHARTER OAK DOMESTIC WATER COMPANY
(Domestic)

Domestic is a wholly owned subsidiary of San Dimas, which said latter company owns all of Domestic's sources of water supply, including wells, water rights in the San Gabriel Basin, stock in other mutual water companies in the area, leases to 2 Columbia Mutual Water Company wells, and 3 Metropolitan Water District connections, except 2 so-called Cassell wells recently acquired by Domestic. Domestic owns 28.11 shares of San Dimas' total of 2,800 shares of stock. Plans to consolidate or merge Domestic and San Dimas into a surviving public utility were made a condition of a loan to Domestic, secured by the properties of San Dimas and Domestic, by Pacific Mutual Life Insurance Company in 1959. Such plans are pending. An appraisal of San Dimas' useful properties is nearly completed, and formation of a new corporation, and application to the Commission for the transfer of Domestic and San Dimas' properties, used and useful in the public service to and acquisition of them by the new corporation are expected by June 30, 1964. The late-filed exhibit shows that San Dimas' president has negotiated an option agreement with California Water & Telephone Company (California), a public utility corporation, under this Commission's jurisdiction, for the latter to purchase all of San Dimas' assets, except certain parcels of land,

Puddingstone water rights, and normal cash and accounts receivable, in exchange for 89,187 common shares of California's capital stock.

As of October 21, 1963, Domestic was furnishing water service to 5,648 domestic and commercial customers, all within the corporate limits of the City of San Dimas, except the Charter Oak area in unincorporated territory of Los Angeles County. Domestic has been furnishing water service in the areas since the year 1913. San Dimas furnishes irrigation service.

Domestic's proposed extensions, as Stages I through VII, are set forth in Exhibit No. 6. Extensions of the water system and installation of facilities will depend on and proceed with the development of the area. Their total cost is estimated to be \$2,902,585.30. The rolling hills terrain varies from elevations of about 670 feet to 1,235 feet. Total estimated number of service connections is 3,831, with water requirements of 6,000 customer equivalents.

Approximately 65.8 per cent of the total of 1,320 acres north of the freeway, owned by Vinnell or 868 acres, will consist approximately of 50 acres of over 1-acre sites; 734 acres of 1 to 3 sites per acre; 50 acres of 3 to 6 sites per acre; and 34 acres of multi-dwellings. The balance will consist of 34 acres devoted to commercial use, 18 acres of schools and playgrounds, 130 acres for a golf course and club house, 60 acres of green belts and bridal trails, and 210 acres of circulation (roads, etc.).

An additional 250 acres north of the freeway will include a triangular-shaped parcel north of Puente Street and a parcel east of Tract No. 27929, containing less than 250 acres owned by others than Vinnell, but included in the Luckman plan. The proposed development of this additional acreage will comprise 192 acres, or 72.8 per cent, of residential use including 20 acres of over 1-acre sites;

166 acres of 1 to 3 sites per acre, and 6 acres of multi-dwellings. The balance will consist of 1 acre devoted to commercial use, 7 acres of schools and playgrounds, 10 acres of green belts and bridal trails, and 40 acres of circulation (roads, etc.).

The proposed Forest Lawn development includes 1,100 acres south of the freeway, all in unincorporated territory of Los Angeles County, which will be divided into two parcels: (1) 400 acres for cemetery purposes and (2) 700 acres to the west and to the south to be developed by Vinnell for residential purposes.

In general, Domestic proposes to require a subdivider's advance of the cost of off-site (transmission mains) as well as the cost of in-tract (distribution mains, service connections, etc.) facilities, but proposes to stand the cost of backup (booster pumps, reservoirs) facilities. Total advances for Stages I through VII are estimated by Domestic to be \$1,879,046.90, and Domestic will provide an additional \$1,023,538.40. To secure the funds for the entire development, in addition to subdividers' advances, merger with San Dimas, and issuance and sale of the surviving utility's securities will be required.

Initially, and in order to finance Stages I and II, Domestic plans to borrow \$500,000 from Pacific Mutual Life Insurance Company, and has a \$150,000 line of credit with Bank of America.

In Stage I, Domestic proposes to extend its present water system southerly from the most southerly boundary of its present service area to Tract No. 27929 which will consist of 116 lots.

A 14-inch diameter cement-lined steel pipe, 4,000 feet in length, will be constructed south along Valley Center Avenue from the junction of existing 10-inch and 12-inch mains at

Cypress Avenue. A 12-inch diameter temporary feeder main, approximately 9,000 feet in length, will be installed to serve Tract No. 27929. The course of said temporary line will follow the 900-foot contour to a 1,200 gallon-per-minute booster station which will lift water to serve said tract at a pressure of 40 psig at the highest customer service connection in the tract.

Domestic proposes to require a subdivider's advance of \$48,940 for Stage I which would include \$11,820 representing the labor costs for the installation of 9,000 feet of the 12-inch temporary main. Domestic would stand a total of \$102,339.81 of the total estimated cost of Stage I amounting to \$151,279.81. Domestic proposes to stand the cost of the 4,000 feet of 14-inch main amounting to \$31,888.45, and \$49,315.53 for the material costs of the 12-inch temporary main. Also, Domestic proposes to stand the cost of the booster pumps and meters. The cost of 12 fire hydrants of \$275 each in Tract No. 27929 would be paid by the subdivider to the Los Angeles County Fire Department, and would not be refundable. In Stages III and IV, when the temporary 12-inch main is removed and installed in new streets, Domestic proposes to record a credit of the costs of the temporary installation.

Stage II involves the first of the permanent installations to serve Forest Lawn. The initial service will require the installation of approximately 300 feet of 16-inch pipe under Via Verde crossing at the San Bernardino Freeway, and approximately 4,600 feet of 12-inch pipe to a 600 gpm booster plant to meet the end of the 30-year requirements as projected by Forest Lawn. The initial service requirement for the Administration building at the entrance to the cemetery, and the initial development of the cemetery, will be 500 gpm.

Domestic proposes to require the advance by Forest Lawn of \$39,976.90 covering the cost of the 16-inch Via Verde crossing and the 4,600 feet of 12-inch main. Domestic proposes to stand the cost, totaling \$20,793.59, of the booster plant, pressure regulator, and meters. Total cost of Stage II is estimated to be \$60,770.49.

Stage III, consisting of about 295 acres, with about 490 services, is projected for subdivision northwesterly of Tract No. 27929. A subdivider's advance of \$273,565 is proposed, with Domestic standing \$129,581 of the total estimated cost of \$403,146. The installation of a 1.5 million-gallon reservoir, a 400, 800, and 1,000 gpm-unit booster station and pressure regulators in addition to pipelines and services, are included in this stage. (400 and 800-gpm booster units are to be transferred from their Stage I location).

Stage IV will consist of about 300 acres, with about 490 services and a golf course, north of Stage III area. A subdivider's advance of \$294,535 is proposed, with Domestic standing \$115,499 of the total estimated cost of \$410,034. Another 1.5 million-gallon reservoir and a 500-gpm booster plant are among the installations included in this stage.

Stage V will consist of about 475 acres, with about 820 services, in an area generally southeasterly of California Polytechnic College (Voorhis) and westerly of San Dimas Canyon Road and Puddingstone Reservoir. A subdivider's advance of \$377,810 is proposed with Domestic standing \$199,525 of the total estimated cost of \$577,335. Another 1.5 million-gallon reservoir, two 1,000-gpm booster pumps and hydropneumatic pressure tanks will

be installed in this stage.

Stage VI will consist of about 700 acres, with 1,200 services, located south of the freeway westerly and southerly of Forest Lawn's cemetery. A subdivider's advance of \$571,785 is proposed with Domestic standing \$290,985 of the total of \$862,770. A 1 million-gallon reservoir at a 980-foot elevation, a 2 million-gallon reservoir at a 1,200-foot elevation, one 500 gpm and two 1,000 gpm booster pumps, three hydropneumatic pumps, and pressure regulators are among the installations included in this stage.

Stage VII will consist of about 450 acres, with 714 services, in the balance of the proposed total development north of the freeway, east of Tract No. 27929 and west of San Dimas Canyon Road. About 50 per cent of this area is owned by Vinnell, and 50 per cent by others. A subdivider's advance of \$272,435 is proposed, with Domestic standing \$164,815 of the total estimated cost of \$437,250. A 1.5 million-gallon reservoir at a 1,200-foot elevation, a 1,000 gpm booster station, and two additional 1,000 gpm boosters at Puddingstone Reservoir are included in the installations for this stage.

Domestic's sources of water supply consist of San Dimas' owned wells, having a presently installed capacity of 3,487 gpm, and estimated future production capacity of 5,000 gpm; San Dimas' and its own leased wells with 2,001 gpm of present capacity, and estimated future capacity of 2,200 gpm; San Dimas Canyon Surface Waters having a present capacity of 1,350 gpm, and future capacity of 1,800 gpm; and Metropolitan Water District connections of treated water having a present capacity of 802 gpm, and future capacity of 3,200 gpm, and untreated water 1,400 gpm of present

capacity and 2,000 gpm of future capacity; and a third unused MWD connection. Pursuant to the formula on Chart 2 of General Order No. 103, the present source totals, of 9,040 gpm, would serve 12,053 customers, and the future source totals, of 17,200 gpm, would serve 22,933 customers.

San Dimas proposes to apply its presently-filed tariffs to the proposed area; however, an application for rate relief may be filed either by Domestic or in connection with the proposed merger. Domestic did not indicate the extent of rate relief which might be requested.

Vinnell and Forest Lawn have requested Domestic's water service to their properties. The City of San Dimas, in its letter dated June 13, 1963, Exhibit No. 16, stated that it felt it extremely important to the City that the Phillips Ranch (Vinnell) area be served by the same water utility which is serving the remainder of the City; to wit, Domestic.

SUBURBAN WATER SYSTEMS
(Suburban)

Suburban furnishes water service to approximately 45,000 customers in its Rivera, Whittier, Highlands, Covina Knolls, Glendora, West Covina, and Puente-South Covina tariff service areas.

The area sought herein by Suburban is delineated on the map, Exhibit "A" attached to the application and in Exhibit No. 9. It is contiguous to and would be an extension of the Covina Knolls area on the north, east, and south thereof. Suburban is furnishing domestic and commercial water service to approximately 350 customers in its Covina Knolls system.

Suburban's proposed service methods are set forth in Exhibit No. 9 in Stages 1 through 5, which are individually delineated on the maps Exhibits "B" through "F" of said exhibit. Suburban's existing and proposed facilities for the D. G. & H., Vinnell, and Forest Lawn developments are delineated on the map Exhibit "G" of said exhibit. Cost of the facilities for each stage of construction is shown individually on pages 7 and 8. The grand total of all stages is \$3,218,505 including \$2,232,815 for in-tract facilities, mains, and services; \$653,040 for plants; and \$332,650 for off-site transmission mains. Generally speaking, Suburban would require a subdivider's advance for all costs except the cost of meters and certain back-up plant.

Service by Suburban for Stage 1 would include the installation of facilities to meet the initial water requirements of Forest Lawn cemetery south of the freeway, of 1,000 gpm, and to provide the required fire flow for Tract No. 27929. Construction of a temporary booster station on Covina Hills Road, extension of a temporary, on-top-of-the-ground, invasion-type 12-inch steel main to Via Verde, construction therefrom of a permanent main partly 18 inches and partly 8 inches in size, installation of another temporary 8-inch steel main from the northeast corner of Tract No. 27929 to a proposed .5 million-gallon reservoir and booster station with a hydropneumatic system to serve the higher elevations of Tract No. 27929, and construction of a permanent 18-inch main from the intersection of Via Verde and Covina Hills Road to serve the first phase of the cemetery development are proposed in this stage. Estimated cost including current

construction, engineering, inspection, and supervision costs is \$127,140.

Stage 2 consists of the installation of water facilities to serve Tract No. 27950, and additional facilities adjacent to Tract No. 27929. The temporary 8-inch main proposed in Stage 1 would be salvaged in this stage. Estimated cost is \$331,215.

Stage 3 consists of the installation of facilities to serve the Stafford Ranch properties proposed to be developed by D. G. & H., and to serve further development of the Vinnell properties immediately adjacent to and north and west of Tract No. 27929, together with some additional development of the cemetery. Additional booster and reservoir capacity would be installed, and a temporary booster station and the temporary 12-inch main between said station and Via Verde, proposed to be constructed in Stage 1, would be salvaged in this stage. Estimated cost is \$515,700.

Stage 4 consists of the additional installation of facilities within the Vinnell properties north of the freeway, and the start of construction of residential development on the Covina Ranch south of the freeway, together with some additional development of the cemetery. Additional pumping capacity, a 12-inch transmission main between the Covina Ranch property and Suburban's 660 (elevation in feet) zone Plant No. 116 (McNutt), and extension of an 18-inch main to connect the cemetery to the initial residential development of the Covina Ranch, would be installed in this stage. Estimated cost is \$486,950.

In Stage 5, construction of all transmission distribution, storage, and booster facilities for D. G. & H., Vinnell, and Forest Lawn would be completed, including the addition of

storage and booster stations and a connection to MWD's Orange County Feeder Line, together with an 18-inch transmission main from this connection to the major transmission facilities within the over-all development. This stage covers the largest portion of the development, and applicant is depending on its proposed MWD connection to assure an adequate water supply for the development. Estimated cost is \$1,757,500.

Suburban estimated its total maximum-day water requirements for the estimated 6,000 equivalent residential units to be approximately 8,000 gpm, including 2,000 gpm for the golf course and cemetery. To meet such requirements, it alleged that 3,000 gpm would be available from Covina Irrigating Company, (Covina Irrigating), a mutual company, to Suburban's Plant No. 119 (Kerckhoff); 1,000 gpm would be available from its Plant No. 116 (McNutt); and 10,000 gpm would be available from the MWD connection.

Suburban's secretary-director and a director of Covina Irrigating, testified that the mutual had never refused water service to any stockholder; that stockholders' entitlements were unlimited; that each mutual share's entitlement, at the minimum rate of 5 cents per inch, was 37-1/2 miner's inch-hours; that the mutual's rates above the minimum were 5.5 cents per inch for the next 37-1/2 miner's inch-hours, and 6 cents per inch for all over 75 miner's inch-hours; that Suburban had continued to purchase Covina Irrigating stock in order to assure itself of the availability of water at the lowest rate (the greater number of shares, the greater allowance at the minimum rate); that 66-2/3 per cent of the mutual's stock was held by stockholders who did not use water, that the Water Department of the City of Covina was the

next largest and nearly equal user of the mutual's water; and that Suburban could develop additional sources of water supply from Covina Irrigating by increasing the capacity of reservoirs and by the installation of additional interconnecting transmission mains between the mutual's sources of supply and reservoirs and Suburban's reservoirs. No qualified engineering or qualified other expert testimony or evidence was offered by Suburban supporting its contentions regarding its water availability from Covina Irrigating.

As to the availability of water from Suburban's Plant No. 116 (McNutt), Suburban's chief engineer testified that, although production at this plant was utilized elsewhere in the San Jose Hills system, it could be brought up to 1,000 gpm to provide water to the proposed and sought extension of the Covina Knolls system.

As to the proposed MWD connection, Suburban contended that even with the addition of 1,000 customers or customer equivalents a year, in view of its other sources of supply, such connection would not be required for 4 or 5 years. The record shows that until MWD's Diemer water treatment plant in Orange County is completed, MWD will not permit new connections to its Orange County Feeder Line. Such completion is estimated to take approximately 4 years. The record shows that Suburban is also attempting to share in the joint capacities of the MWD's Pomona-Walnut-Rowland Feeder with Walnut Valley Water District and Rowland Area County Water District but that, except for temporary and surplus water, the covenants of said Districts' bonds prohibit the selling of water outside their boundaries. No agreement with either of the

Districts for delivery of water by them to Suburban or connection to their facilities by Suburban has been reached.

Exhibit No. 10 is a statement of estimated available funds and their use for the year 1964 submitted by Suburban's assistant treasurer to show its ability to finance its proposed extensions. Said exhibit shows that proceeds from the sale of Suburban's properties in, and possibly in the vicinity of, the City of Santa Fe Springs, under condemnation instituted by said City, estimated by Suburban's management for these purposes in the amount of \$2,000,000, would be the primary source of funds. The terms and extent of such sale are in engineering phases, only. Failing the availability of such proceeds, Suburban would rely on a bank loan amounting to \$200,000, and sales of preferred stock to institutions amounting to \$500,000. However, the record shows that Suburban's outstanding preferred stock issuance and sale authorization amounts to only approximately \$250,000, and no application for authorization to issue and sell an additional amount is pending before the Commission. Aside from the possible Santa Fe Springs proceeds, no long-range plan was offered for financing the proposed extensions after the year 1964 except by advances for construction, which a Commission staff accounting witness estimated in Exhibit No. 14 would total \$2,540,375. This witness estimated that long-term debt and advances for construction would have increased to 73 per cent of Suburban's capital structure as of December 31, 1962, on a total pro forma basis, including Suburban's proposed Sunset Hills development, Vallecito Valley Water Company acquisition, and the development of the instant application.

Suburban proposes to apply its Covina Knolls tariff schedules to the area for which a certificate is sought.

D. G. & H. has requested Suburban's water service to Stafford Ranch, but neither Vinnell, Forest Lawn, nor any other owner or proposed developer has requested Suburban's water service to its properties.

STAFF FINANCIAL AND ENGINEERING CONCLUSIONS

In Exhibit No. 11, a financial report on Domestic's application, a Commission staff accountant concluded as follows:

- a. The present utility has the financial capability to serve the initial area, Tract 27929; however, the equity position would be reduced to an undesirable level.
- b. Certification of the 2700 acres requested would not be financially feasible without reorganization or merger comparable to that described in this report as the tentative plan now under consideration.

In Exhibits Nos. 12 and 13, reports on the applications of Domestic and Suburban, respectively, a staff engineer recommended and concluded as follows:

It does not appear to be in the public interest to authorize applicant to serve either the initial tract, Tract No. 27929, or the total area requested until applicant's water supply is assured.

In Exhibit No. 14, a financial report on Suburban's application, another staff accountant concluded as follows:

(1. stricken)

2. Applicant's common stock and total equity capital ratios do not compare favorably with other Class A water utilities operating in California, and no means of improving its capital structure has been advanced by applicant in its current proposals. The average mean ratio of common stock equity for

the other Class A water utilities shown in a Commission study entitled 'Comparative Statistical Data', dated July 26, 1963, is 33.46%, compared with 10.36% and 7.57% for the applicant at December 31, 1962, and on a total pro forma basis, respectively.

3. Applicant's present capital structure appears to be weak and may further deteriorate if the current application is granted.
4. It appears that applicant's dividend requirements consume most of its net operating revenues; that internally generated funds to finance expansion are limited, and that financing of the expansion proposed must rely principally on debt and advances for construction.

In view of the Commission's past and continuing concern over applicant's unbalanced capital structure*, which will be further unbalanced as a result of the proposed expansion without additional equity capital, it is recommended that approval of applicant's request, if granted, be conditioned upon development and maintenance of a capital structure containing at least 40% total preferred and common stock equity, and no more than 60% debt and advances for construction combined.

* Decision No. 52240, dated November 14, 1955, in Application No. 37401.

Decision No. 52729, dated March 6, 1956, in Application No. 37649.

Decision No. 54084, dated November 19, 1956, in Application No. 38529.

Decision No. 55053, dated June 4, 1957, in Application No. 39069.

Decision No. 57782, dated December 30, 1958, in Application No. 40628.

Decision No. 58716, dated July 7, 1959, in Application No. 40954.

FINDINGS

Upon consideration of the record and of the evidence as heretofore outlined, the Commission finds that:

1. Domestic is ready, able and willing to serve Stages I and II of the proposed development as set forth in Exhibit No. 6.

2. (a) Domestic has established neither the adequacy, availability, nor dependability of its sources of water supply nor its financial ability to serve Stages III through VII of the proposed development as set forth in Exhibit No. 6.

(b) Domestic is unable to furnish water service to Stages III through VII.

(c) After merger or consolidation with San Dimas, Domestic, or its successor, may be able to furnish water service to Stages III through VII.

3. Public convenience and necessity require that Domestic's application be granted in part, and denied in part without prejudice.

4. (a) Suburban is ready, able and willing to serve Stafford Ranch in the City of Covina, and Tracts Nos. 18828, 20408, and 21427, in unincorporated territory of Los Angeles County.

(b) It would not be in the public interest to disturb the status quo of Suburban's present water service to the aforementioned three tracts.

5. (a) Suburban has failed to establish its ability to meet the total estimated water requirements of the 2,900 acres, or 6,000 residential equivalents. The availability of adequate sources of water supply from Covina Irrigating has not been established, and the engineering soundness of the proposed use of

a temporary, on-top-of-the-ground, invasion-type 12-inch steel main has not been established.

(b) Suburban has failed to establish its financial ability to develop all of its proposed Stages 1 through 5 as set forth in Exhibit No. 9. The showing of financial ability made in Exhibit No. 10 is conjectural, is incomplete as to the years beyond 1964, and cannot be relied upon.

(c) Suburban is unable to furnish water service to its proposed Stages 1 through 5, except as set forth in findings 4(a) and 4(b).

6. Public convenience and necessity require that Suburban's application be granted in part and denied in part.

Based on the foregoing findings the Commission concludes that Domestic's application should be granted as to Stages I and II, and denied as to the remainder without prejudice, and Suburban's application should be granted as to Stafford Ranch and Tracts Nos. 18828, 20408, and 21427, and denied as to the remainder.

The certificates herein granted shall be subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of these certificates of public convenience and necessity or the right to own, operate, or enjoy such certificates 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 certificates of public convenience and necessity or rights.

The Commission further finds that Domestic's proposal to require a subdivider's advance totaling \$1,879,046.90 as set forth in Exhibit No. 6, is unreasonable, in that such

requirement may, due to the speculative nature of the proposed development of the 2,700 acres covered by Domestic's application, result in the placing of an unreasonable burden on Domestic's present rate payers.

The order which follows will provide that Domestic shall require the subdividers and the developers of their properties to advance the costs of all in-tract facilities pursuant to the 22 per cent of revenues over a 20-year period provisions of its Main Extension Rule No. 15, and shall require such subdividers and developers to enter into special services contracts covering off-tract and backup facilities which would be paid off upon but not before the ultimate development of each Stage, I through VII, as set forth in Exhibit No. 6, in proportion to the relation of the use of such facilities to each stage, if and when the Commission, after application and showing by Domestic, grants to it a certificate or certificates of public convenience and necessity covering Stages III through VII.

The action taken herein is for the issuance of a certificate of public convenience and necessity only and is not to be considered as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. San Dimas-Charter Oak Domestic Water Company, a corporation, is granted a certificate of public convenience and necessity to extend its public utility water system to and construct and operate a public utility water system in Tract No. 27929 in the City of San Dimas, comprising the development set forth in Stage I of Exhibit No. 6, and to extend its water system to the south side of the San Bernardino Freeway at Via Verde crossing and to serve

the initial development of a cemetery by Forest Lawn Company in unincorporated territory of Los Angeles County as set forth in Stage II of Exhibit No. 6, except that advances for construction of in-tract facilities shall be required of subdividers, refundable on the 22 per cent of revenues over a 20-year period basis. Special services contracts covering off-tract and backup facilities shall be required of subdividers, refundable upon but not before the completion of each of Stages I and II, respectively, in proportion to the use of such facilities to each stage.

2. Domestic's application covering Stages III through VII, as set forth in Exhibit No. 6, is denied without prejudice to applicant's showing the Commission by merger or otherwise of its water supply and financial ability to further extend its system.

3. Domestic shall not extend its mains or furnish water service without further order of this Commission except in the following locations:

- a. The area bounded by a black dashed line as shown on the utility's service area map, revised Tariff Sheet No. 67-W, dated June 18, 1961.
- b. The area certified herein as set forth in Ordering Paragraph No. 1.

4. Within one year after the effective date of this order, Domestic may file revised tariff sheets, including a revised tariff service area map, to provide for the application of its tariff schedules to the tract and area certificated herein. Such filing shall be in conformity with General Order No. 96-A and the revised tariff sheet shall become effective upon the fifth day after having been filed.

5. Suburban Water Systems, a corporation, is granted a certificate of public convenience and necessity to extend its water system to and construct and operate a water system in the area

within the City of Covina designated as Stafford Ranch on the map, Exhibit A, attached to Application No. 45465, and to Tracts Nos. 18828, 20408, and 21427 in unincorporated territory of Los Angeles County.

6. In all other respects Suburban's Application No. 45465 is denied, and except for the authorization herein granted the restrictions against Suburban's extension of service without order of this Commission, imposed by Decision No. 58716, shall remain in full force and effect.

7. Within one year after the effective date of this order, Suburban may file revised tariff sheets including a revised tariff service area map to provide for the application of its present Covina Knolls tariff schedules to the area and tracts certificated herein. Such filing shall be in conformity with General Order No. 96-A and the revised tariff sheet shall become effective upon the fifth day after having been filed.

The effective date of this order shall be 20 days after the date hereof.

Dated at San Francisco, California, this 4th day of February, 1964.

William C. Bennett
President

Carl W. Ray

Frederick B. Hohlhoff

Commissioners

Commissioner George G. Grover
present but not voting.

-21- Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.