

ORIGINAL

Decision No. 68643

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PADUA HILLS  
WATER SERVICE, INC., a  
corporation, for a certificate  
of public convenience and  
necessity to conduct operations  
as a water corporation in the  
vicinity of Claremont,  
Los Angeles County, and for  
authority to issue stock.

Application No. 46249-  
(Amended)  
(Filed March 2, 1964)

Knapp, Gill, Hibbert & Stevens, by  
Wyman C. Knapp, for applicant.  
Jerry J. Levander and Raymond E. Heytens,  
for the Commission staff.

O P I N I O N

Padua Hills Water Service, Inc. seeks a certificate of public convenience and necessity to extend, construct, and operate a public utility water system in unincorporated territory of Los Angeles County in Padua Hills north of Claremont, in the area delineated by a black dashed line on the map, Exhibit A, attached to the application. Establishment of rates for water service, and authority to issue stock are also sought.

Public hearings were held before Examiner Warner on September 23, 1964, at Claremont, and November 24 and December 21, 1964, at Los Angeles. No protests to the granting of the application were entered. The matter was submitted subject to the receipt of late-filed Exhibits Nos. 13 and 14, on or before January 5, 1965. Said exhibits have been received and the matter is now ready for decision.

Applicant was incorporated on February 6, 1964, and it

proposes to issue and distribute 36,953 shares of its common capital stock having a par value of \$10 per share to H. H. Garner and his wife, Irene W. Garner; Padua Hills, Inc., a corporation; Vortex Properties, Inc.; and Adams and Garner, a copartnership composed of Wilbur Adams and H. H. Garner, in exchange for water system properties, cash, and cancellation of indebtedness, as set forth in Exhibits D and E attached to the application. The amount of stock sought to be authorized and issued as of November 30, 1964, was amended at the December hearing by Exhibit No. 4, to 33,221 shares based on a restatement of properties proposed to be acquired, as set forth in Exhibits Nos. 2 and 3. Exhibit No. 14 is a reconciliation of stock to be issued as requested by applicant and as recommended by a Commission staff accountant. The latter recommended authorization of the issuance of 22,727.6 shares with an aggregate par value of \$227,276. Said exhibit recommends the addition of \$968 of organization, \$209 of services, \$1,721 of meters, \$783 of hydrants, and \$3,484 of depreciation reserve to the property proposed to be transferred as set forth in Exhibit No. 4. Said exhibit also recommends the subtraction of \$4,855 of the usage right in line G-2, \$61,000 of alleged water rights, \$1,357 from the cost of wells, \$275 of structures, \$1,102 of pumping equipment, \$5,136 of reservoirs, \$16,788 of mains, \$12,180 of West End Consolidated Water Company stock, and a debit of \$9,406 to surplus. The staff accounting recommendations are the result of detailed examinations by the staff of applicant's principals and their predecessors who had been operating as a de facto public utility water corporation in a portion of the area herein sought to be certificated since approximately 1930. Said principals were interrelated and, in most cases, commonly owned the water rights and water production

facilities proposed to be acquired by applicant.

A report on applicant's proposed operations prepared by the Commission staff accountant and a Commission staff engineer was submitted as Exhibit No. 1. Said exhibit contains on pages 20, 21, and 22, their conclusions and recommendations which were not disputed by the applicant except as to the basis for and the amount of common stock to be issued. Adjustments to applicant's proposals were recommended by the staff accountant, among other things, to reflect historical costs and the elimination of overheads charged by affiliated interests.

The staff engineer concluded that there is no demand for water service south of Mt. Baldy Road; one of applicant's sources of supply does not meet drinking water standards in regard to flouride concentration and should be blended with other sources; service appears to meet the requirements of General Order No. 103; reservoirs and a large portion of the mains do not meet the minimum standards of General Order No. 103; and if Reservoir No. 3 could be put into full use, applicant's water supply would be adequate to serve approximately 700 equivalent residential units.

As of June 30, 1964, water service was being furnished to 60 metered, domestic, and irrigation customers. Ultimate development of the requested area, after the deletion of 81 acres south of Mt. Baldy Road, would result in approximately 680 equivalent residential units.

Applicant's proposed rates for water service are set forth on pages 7 and 8 of the application and in Exhibit K.

The Commission finds that:

1. Public convenience and necessity require that a certificate of public convenience and necessity be granted to Padua Hills Water Service, Inc., a corporation.

2. (a) There is no requirement for water service in the requested area south of Mt. Baldy Road comprising 81 acres.

(b) Applicant's proposed sources of water supply and water system facilities are adequate for the area certificated hereinafter.

3. (a) Applicant's request to issue 33,210 shares of stock is reasonable only and to the extent that it is modified by the staff recommendation that 22,727.6 shares be issued as set forth in Exhibit No. 14.

(b) The money, property or labor to be procured or paid for by the issue of stock 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.

4. The staff engineering recommendations contained in Exhibit No. 1 are reasonable.

5. Applicant's proposed rates for general metered service, resale, and public fire hydrant service are reasonable.

Based on the foregoing findings the Commission concludes that the application, as amended, and as modified by such findings, should be granted.

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

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.

In issuing our order herein, we place applicant and its shareholder, or 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 authorization 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 proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Padua Hills Water Service Inc., a corporation, is granted a certificate of public convenience and necessity to extend, construct and operate a public utility water system in the area designated by a black dashed line on the map, Exhibit A, attached to the application, except the area south of Mt. Baldy Road comprising 81 acres.

2. (a) Within forty-five days after the effective date hereof, applicant is authorized to and shall file with the Commission in conformity with General Order No. 96-A the schedules of rates for general metered service, resale, and public fire hydrant service attached hereto as Appendix A, rules governing service to customers, a tariff service area map, and copies of printed forms normally used in connection with customers' services. Such tariff sheets shall become effective the fourth day after the date of filing.

(b) Beginning with the year 1964, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 1.5 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method when

major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

(c) Applicant shall engage a qualified civil engineer to develop a plan to revise the present system and its methods of operations to effect a greater efficiency and prepare a master plan for applicant which will take into consideration the utility's future expansion.

(d) Applicant shall blend Palmer Canyon water to meet the U. S. Department of Public Health's 1962 Drinking Water Standards.

(e) Within sixty days after the effective date hereof, applicant shall file with the Commission 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 various tracts of land and territory served; the principal water production, storage, and distribution facilities; and the location of the various water system properties of applicant.

3. (a) Applicant is authorized to issue 22,727.6 shares of its common capital stock at a par value of \$10 per share with an aggregate par value of \$227,276 to the persons named, for the purposes outlined in the preceding opinion, and to result in the acquisition of the assets set forth in Exhibit No. 14.

(b) Applicant shall record on its books of accounts the acquisition of assets and issuance of stock in the manner and to the extent they are authorized herein.

(c) Within thirty days after the effective date hereof, applicant shall certify to the Commission that it has acquired an adequate parcel of land on which the well, reservoirs, boosters, and other utility installations are located.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of FEBRUARY, 1965.

Fredrick B. Hobbloff  
President

George F. Crow

William W. Bernick  
Commissioners

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Padua Hills and vicinity, located approximately 3 miles northeast of Claremont, Los Angeles County.

RATES

## Quantity Rates:

	Per Meter Per Month
First 700 cu.ft. or less . . . . .	\$ 2.10
Next 1,800 cu.ft., per 100 cu.ft. . . . .	.21
Next 7,500 cu.ft., per 100 cu.ft. . . . .	.17
Next 90,000 cu.ft., per 100 cu.ft. . . . .	.14
Over 100,000 cu.ft., per 100 cu.ft. . . . .	.12

## Minimum Charge:

For 5/8 x 3/4-inch meter . . . . .	\$ 2.10
For 3/4-inch meter . . . . .	2.65
For 1-inch meter . . . . .	3.40
For 1 1/2-inch meter . . . . .	7.25
For 2-inch meter . . . . .	12.00
For 3-inch meter . . . . .	22.50
For 4-inch meter . . . . .	35.00
For 6-inch meter . . . . .	60.00
For 8-inch meter . . . . .	90.00

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



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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Padua Hills and vicinity, located approximately 3 miles northeast of Claremont, Los Angeles County.

RATE

Per Month

For each hydrant attached to a 4-inch  
diameter main or larger . . . . . \$2.00

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. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. 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.

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Schedule No. 6-L

RESALE SERVICE

APPLICABILITY

Applicable to water service furnished to other purveyors where a portion of the water will be purchased by the utility at other locations.

TERRITORY

Padua Hills and vicinity, located approximately 3 miles northeast of Claremont, Los Angeles County.

RATE

Per Miner's-  
Inch Hour

Quantity Rate:

For water delivered . . . . . \$0.035

SPECIAL CONDITION

For the purposes of measured delivery under this schedule, a miner's-inch hour shall be defined as 72 cubic feet or 540 gallons.