

**ORIGINAL**Decision No. 70449

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application )  
of DONALD R. PLUNKETT DBA PLUNKETT )  
WATER COMPANY and SOMERSET MUTUAL )  
WATER CO., a non-profit corporation, )  
for an order authorizing the former to )  
sell and the latter to buy a portion )  
of a public utility water system. )

Application No. 47818  
(Filed August 16, 1965)

(Amendment filed  
January 5, 1966.)

Linus R. Fike, for Donald R. Plunkett,  
applicant.  
Martin E. Whelan, Jr., for Somerset  
Mutual Water Company, applicant.  
Edward W. Rose, for owners of property  
"Apts." at Woodruff and Artesia in  
Bellflower; H. E. Shepherd, for the  
City of Lakewood; and Neil A.  
Fitzgerald, for Union Development  
Co., Inc., interested parties.  
Jerry J. Levander, for the Commission  
staff.

O P I N I O N

Donald R. Plunkett, an individual, doing business as Plunkett Water Company, seeks authority to sell the portion of his public utility water system, located in the City of Bellflower which serves 231 customers through 48 service connections, to Somerset Mutual Water Co., a mutual water company, now furnishing water service to approximately 3,000 stockholding customers in Bellflower. The sale is proposed to be made pursuant to the agreement, dated August 10, 1965, which is Exhibit No. 1 attached to the application. Pursuant to said agreement, Plunkett would retain his Well No. 1 located in Bellflower and utilize it as a standby source of water supply to his remaining 149 customers located in the City of Lakewood, who are now served by Well No. 2 located in Lakewood.

Public hearing was held before Examiner Warner on January 20, 1966, at Bellflower. No protest was entered. Although all of Plunkett's Bellflower customers were served with a brief notice of the time and place of hearing of the application with reference to the application on file with the Commission, the notice failed to indicate to the present customers of applicant (1) that to obtain water from the mutual they must become shareholders of the mutual by purchasing stock therein; (2) what price must be paid for such stock; (3) how much the cost of mutual water will be increased; and (4) what other significant matters are fairly raised by this application.

Plunkett alleges that the proposed sale would be in the public interest because increased costs of producing water due to mandatory water exchange agreements effective in the Central Basin of Los Angeles County would require Plunkett to apply for a rate increase and, without the Bellflower properties, his Lakewood customers would be supplied solely by the production of Well No. 2 at lower production costs. He further alleges that fire protection would be improved in the Bellflower system. Somerset wishes to purchase applicant's system in order to interconnect its present water system which adjoins Plunkett's system on the north, east and west.

The amendment to the application contains, as an attachment thereto, an application by Somerset to the State Division of Corporations for a permit to sell and issue not to exceed 18 shares of its \$100 par value capital stock which it proposes to sell to Plunkett's present customers at a price of \$435 per share per acre (fractional share portions are issued to owners of fractions of an acre) to reimburse, in part, Somerset's treasury for the costs of acquisition of Plunkett's facilities. Somerset's shares of stock are appurtenant to the land and are a requisite to the obtaining of water service by any property owner within Somerset's service area. Neither applicant nor Somerset has provided information as to the

cost of these shares to Plunkett's present customers or the basis on which payment for the shares would be made.

Plunkett was granted a certificate of public convenience and necessity to organize, operate and maintain a public utility water company by Decision No. 42382, dated December 29, 1948, in Application No. 29458. The Bellflower portion now comprises single-family residences, multiple-unit apartments, and some commercial properties. The Lakewood portion, for the most part, comprises single-family residences.

Plunkett testified that he was unable to continue to finance his public utility water system operations without a rate increase and that he would utilize the proceeds from the sale of his Bellflower water system to pay off a long-term note, the proceeds from which had been used to purchase and install a high pressure tank in that system, the balance of the original cost of \$15,000 being about \$5,000.

Exhibit No. 3 is a report of a Commission staff engineer's investigation of the application in which he recommended that the application be denied because the proposed transfer would:

- (a) Substantially increase the charges for flat rate service for customers transferred to Mutual.
- (b) Reduce applicant's annual cash operating income from \$290 to a loss of \$1,360.
- (c) Require customers transferred to Mutual to spend their personal funds for purchase of Mutual shares in order to continue to receive water service.
- (d) Require customers transferred to Mutual to spend their personal funds for meter installation if they should elect to change from flat rate to meter rate service.

- (e) Substantially reduce the quantity of water available from Well No. 1 when the 1½-inch pipe is installed.

Exhibit No. 3-A, a supplement to Exhibit No. 3, shows that based upon the amendment to the application, the transfer would result in a 36.6 per cent increase in annual charges for water service to Plunkett's Bellflower customers. Said exhibit did not, however, include the effect of the increased water production costs to Plunkett, heretofore referred to, effective October 1, 1966, which would be about \$1,500 on an annual basis.

Exhibit No. 3 further shows that Plunkett's remaining Lakewood system would operate at a substantial loss under the proposed transfer and Plunkett admitted that an application for a rate increase in the Lakewood system is being prepared. If the instant application were granted, Plunkett hoped to dispose of the remainder of the system to the City of Lakewood, but no offer by said city has been made. The staff argued that the granting of the application would be detrimental to Plunkett's Lakewood customers because, in addition to its uneconomic effects, the application does not provide for the feasible delivery of an adequate supply of water from Well No. 1 to the Lakewood system on an emergency basis.

The Commission has carefully considered the record before it and finds as follows:

1. Plunkett's water system has been in operation since 1948 and now serves 231 customers in Bellflower and 149 customers in Lakewood, which would be severed by the proposed transfer of the Bellflower system to Somerset Mutual Water Company.

2. The granting of the application would increase the rates for water service to Plunkett's Bellflower customers, would financially burden Plunkett's Lakewood customers, would not provide Lakewood with a soundly engineered standby source of supply, and would require Plunkett's Bellflower customers to purchase Somerset's stock in order to continue to receive water service.

3. The 231 customers who would be concerned in this transfer have not consented to assume the burden which would be involved, nor were they advised of the possibility or contingency.

4. Granting of the application would enable Somerset to interconnect its water system and might provide improved fire protection service to Plunkett's Bellflower customers.

5. The disadvantage to Plunkett's Bellflower customers, on the one hand, and his Lakewood customers, on the other hand, and to them, collectively, outweigh the advantages to them of the granting of the application.

6. Granting of the application would be adverse to the public interest.

The application should be denied.

O R D E R

IT IS ORDERED that this application is denied.

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 MARCH, 1966.

Frederic B. Halsett

President

John A. Hill

George E. Trover

Augusta

William W. Brandt  
Commissioners