

Decision No. 72387

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
E & P INDUSTRIAL INVESTMENT CO., a
corporation, LOTTIE W. ESTES and
LeROY J. LaFRENTZ and EMMA LEE
LaFRENTZ doing business as DESCANSO
PARK WATER CO. for an Order, or
Orders, authorizing a Quit Claim
and transfer of all public utility
water corporation assets formerly
the subject of a contract of sale
between E & P Industrial Investment
Co., a corporation, Lottie W. Estes
and Mayfair Hotel Co., a corporation
to LeRoy J. LaFrentz and Emma Lee
LaFrentz doing business as Descanso
Park Water Co.

Application No. 49050
(Filed December 22, 1966)

Harold W. Davidson, for E & P Industrial
Investment Co. and Lottie W. Estes;
and LeRoy J. LaFrentz, for Descanso Park
Water Co.; applicants.
Noel M. Loomis, for Hulburd Grove Improve-
ment Association; and William B. Clark,
Lee B. Harris and Marjorie B. Harris,
Mrs. Cortlandt Howell, Mrs. Walter Price,
J. D. Strait, and Charles J. Wolf, in
propria personae; interested parties.
R. H. Knaggs, for the Commission staff.

O P I N I O N

In this joint application, E & P Industrial Investment Co.
and Lottie W. Estes (transferors) seek authority to transfer by
quitclaim deed the public utility water system properties serving
Hulburd Grove and vicinity (Hulburd Grove system) to LeRoy J.
LaFrentz and Emma Lee LaFrentz doing business as Descanso Park
Water Co. (transferees).

A public hearing was held before Examiner Main at Descanso on February 20, 1967. No protests were entered against granting the application. The Hulburd Grove Improvement Association supports the proposed transfer.

The application clearly presents an opportunity to resolve some of the basic problems of this small, inadequate system, serving approximately 50 customers, over which Commission jurisdiction was invoked by Decision No. 62742 dated October 31, 1961 in Case No. 7090. Principally, Mayfair Hotel Co. (Mayfair), a corporation, has been charged with the responsibility of serving the area.

According to the application and to a statement by counsel for transferors, Mayfair is in an inactive status, its corporate powers have been suspended for non-payment of franchise tax to the State of California, all its officers have resigned, and the sales contract dated March 16, 1961 between transferors and Mayfair, Exhibit A attached to the application, under which Mayfair purchased the water system herein involved, was breached by non-performance and cancelled by mutual consent. The transferors are therefore of the opinion that their position with respect to the water system has been restored essentially to that existing prior to the execution of said contract. Pending the transfer authorization sought herein, a former employee of Mayfair is operating the system.

By a proposed deed, Exhibit B attached to the application, transferors would quitclaim to transferees the Hulburd Grove system, facilities consisting of two equipped wells, two storage tanks with a combined capacity of 62,000 gallons, and approximately 11,000 feet of transmission and distribution pipelines ranging in size from

3/4-inch to 4 inches in diameter, and 86 service connections together with perpetual easements necessary for operating and maintaining the system. As consideration therefor transferees agree to provide public utility water service to Hulburd Grove system customers and to transferors.

It is represented in the application that transferees shall have the right to the use of all land lying within a circle having a 20-foot radius from the center of each water well. Such right, however, is not specified in the proposed quitclaim deed. Similar provision for use of sites of existing storage tanks appears necessary but was not included in either the proposed deed or the application.

Transferees have successfully operated a nearby public utility water system for 17 years. At present the service area of Descanso Park Water Co. reaches nearly to the area served by the Hulburd Grove system and the systems involved could be interconnected through the installation of approximately 1,000 feet of pipeline.

Transferees propose an immediate improvement program for the Hulburd Grove system consisting of erecting elevated platforms for pump mountings designed to protect the equipped wells, which are located in the stream bed, against surface flow, of installing new electrical wiring for pump circuits, and of installing a 2,000-gallon pressure tank and booster pump to alleviate the existing sub-standard pressure conditions. This latter installation in turn should determine which pipelines will require replacement under the higher system pressure. The estimated cost of the program

exclusive of any necessary pipeline replacements is approximately \$3500. It was testified that transferees have the financial ability to make the proposed improvements and that in that regard a portion of the proceeds under certain financing recently authorized by the Commission (Decision No. 71958 dated February 7, 1967 in Application No. 49040) is available for this purpose.

The quality of water served by Descanso Park Water Co. is impaired at times by excessive discoloration. A high iron content present in waters from the principal supply source in combination with dormant water conditions existing from time to time in customers' service lines appears to cause much of the problem. To reduce the iron content at this source, the installation of a hypo-chlorinator unit and a filtering tank spaced a suitable distance apart to achieve desired reaction time was recommended by a firm of consulting engineers. Certain of the components of this equipment are now on hand and the completed installation is expected to be on stream within the next few months.

The source of water supply for the Hulburd Grove system is the water-producing property described in Exhibit B to the application. Supplies from this source clearly have been dedicated to public use and applicants are placed on notice that the full extent of the rights of the Hulburd Grove system to such supplies must be protected at all times for as long as they remain used and useful in the operation of said public utility water system.

Continuation of the existing rates for water service in the Hulburd Grove area is proposed.

The Commission finds that:

1. Mayfair Hotel Co., which appears to be an inactive corporation, has not and is not meeting its obligations as a public utility.
2. The present interim arrangement under which the Hulburd Grove system is being operated appears precarious and is at best of uncertain duration.
3. Under the circumstances an expeditious transfer, the quitclaim character thereof notwithstanding, is indicated and, subject to the conditions to be imposed by the order which follows, will not be adverse to the public interest.

The Commission concludes that the application should be granted as provided in the following order.

The action taken herein does not constitute a finding as to the value or original cost of the rights and properties authorized to be transferred.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to effect the transfer of all water system assets used and useful in serving the Hulburd Grove area and vicinity substantially in the manner proposed in the application and Exhibit B attached thereto, provided that:
 - (a) Such assets include rights to use all lands within circles having 20-foot radii centered at each operative water well and similar rights with respect to, and appropriate for, the sites of the existing storage tanks.
 - (b) The understanding to augment water service in consideration of the transfer shall only be operative to the extent authorized by the Commission upon consideration of the system's serving capability and other pertinent factors.

2. After the effective date of this order and not later than five days before the date of actual transfer, LeRoy J. LaFrentz and Emma Lee LaFrentz, doing business as Descanso Park Water Co., shall file the rates set forth in Appendix A to this order, a revised preliminary statement and a tariff service area map clearly indicating the boundaries of the area served by the transferred system. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the date of actual transfer.

3. On or before the date of actual transfer, transferors shall arrange for delivery to transferees and transferees shall receive and preserve all available records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

4. Within five days after the date of actual transfer applicants jointly shall file in this proceeding a written statement showing the date of transfer. A true copy of the instrument of transfer shall be attached to the statement.

5. Transferees shall not without further order of the Commission either interconnect the transferred system with the systems now operated by the transferee or provide water service to any premises not served by the transferred system prior to the effective date of this order. Upon proper showing either one or both of the foregoing restrictions may be lifted.

6. Upon compliance with paragraphs 2, 3 and 4 of this order by applicants, the tariff schedules of Mayfair Hotel Co. shall be considered cancelled and superseded by the tariff schedules of transferees.

The authorizations granted herein shall expire if not exercised within sixty days after the effective date of this order and such effective date shall be the date hereof.

Dated at San Francisco, California, this 9th day of MAY, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. HG-2R

Hulburd Grove Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Hulburd Grove and vicinity, near Descanso, San Diego County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit, including premises	\$4.00
For each additional single-family residential unit on the same premises and served from the same service connection	2.00