

**ORIGINAL**

Decision No. 75375

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of WESTLAKE WATER COMPANY for a  
Certificate of Public Convenience  
and Necessity to construct and  
operate a public utility water  
system in Ventura County, for the  
establishment of rates for service  
for the issuance of stock, for  
authority to deviate from the main  
extension rule, and for authority  
to enter into a service contract  
with Russell Valley Municipal  
Water District.

Application No. 50070  
(Filed March 4, 1968)

(Amended May 22, 1968)  
(August 29, 1968)

Johnston, Lucking and Hitch, by William A.  
Lucking, Jr., for applicant.  
Jerry J. Levander and Raymond E. Heytens,  
for the Commission staff.

O P I N I O N

Westlake Water Company, a corporation, (applicant), requests a certificate of public convenience and necessity to maintain and operate a public utility water system; authority to establish rates; to issue stock and to exercise franchises granted by Ventura County (County) and the City of Thousand Oaks (City); permission to deviate from the Commission's main extension rule; and authority to execute a contract with Russell Valley Municipal Water District (Russell).

Public hearings were held before Examiner Rogers in the City on August 13, 14 and 15, 1968. Thereafter, applicant.

filed an amendment to the application to conform to proof, briefs were filed and the matter was submitted.

General Information

Applicant's Articles of Incorporation were filed with the State of California on October 17, 1966. It is stated therein that the primary business of the corporation is to supply public utility water service for domestic, industrial, commercial and municipal uses. Applicant is thereby authorized to issue 1,000 shares of stock without par value. The American-Hawaiian Steamship Company (Steamship Co.) will purchase all stock of the applicant when issued.

Applicant's parent corporation is the Steamship Co., a New Jersey corporation. In 1963, the Steamship Co. acquired 12,000 acres of land, of which approximately 8,200 acres are in the southern portion of Ventura County and comprise the service area requested by the applicant. The remaining land is immediately contiguous to the 8,200 acres and is in Los Angeles County.

In 1965, the Steamship Co. formulated a twenty-year development plan for the area showing water, sewer and flood control systems, and development patterns. The portion of the land in Los Angeles County has been furnished retail and wholesale water by Las Virgenes Municipal Water District.

The Steamship Co. has five wholly owned subsidiaries, which in turn will execute and/or have executed joint venture contracts with various builders to develop subdivisions in the City or County. In each instance, the Steamship Co. through the

wholly owned subsidiaries will own over fifty percent of the joint venture.

The boundaries of the proposed service area, which was originally wholly owned, with minor exceptions, by the Steamship Co., are the same as the present boundaries of Russell which was formed in 1960 for the purpose of purchasing water from the Calleguas Municipal Water District (Calleguas) for delivery to retailers. The area is entirely within Calleguas, a member agency of the Metropolitan Water District (MWD).

J. D. Johnson, assistant secretary and one of the directors of applicant, is the assistant treasurer of the Steamship Co., and the treasurer of Russell. At the time of the hearings, the Steamship Co. controlled Russell.

#### Financial Backing

The Steamship Co.'s annual report for the calendar year 1967 (Exhibit 23), recites that 95 percent of its outstanding stock is owned by Berkshire Industries, Inc., a New Jersey corporation. The report further states that the Steamship Co.'s consolidated net earnings for the year amounted to \$755,785 and its net realized gains from sales of marketable securities and real estate amounted to \$234,202. In addition, the Steamship Co. owns the controlling stock in two corporations from which it had a net income of \$301,517 for the year 1967. The Steamship Co. has agreed to financially support applicant.

The annual report shows that as of December 31, 1967, it had consolidated assets valued, for book purposes, at \$102,020,259 including \$2,557,117 in cash, \$12,831,823 in

marketable securities at cost, and \$77,963,793 in investments in real estate at cost. The fair value of the marketable securities at said date was stated to be \$47,907,185, and the fair value of the investments in real estate was stated to be \$92,882,927. The report shows that the Steamship Co.'s capital, on a cost basis, was \$29,767,331. The vice president of the Steamship Co., who is a certified public accountant, testified that the fair market value of the real estate and marketable securities of the Steamship Co. was approximately \$50,000,000 over the cost thereof, and that this, plus capital on a cost basis, gave the Steamship Co. approximately an \$80,000,000 equity.

#### Service Area

Applicant's proposed service area comprises approximately 8,200 acres in the southern portion of Ventura County. The area is almost entirely owned by the Steamship Co. The east-west Ventura Freeway (Freeway) bisects the area. Westlake Boulevard runs in a north-south direction and crosses the Freeway in approximately the middle of the proposed service area. Elevations range from approximately 880 feet to approximately 1,590 feet. The applicant proposes to develop four pressure zones. The lowest pressure zone (Zone I) will generally extend north and south of the Freeway and on each side of Westlake Boulevard. The higher zones are in the northern and southern portions. As the area is developed through subdivisions, they will be incorporated into the City.<sup>1/</sup>

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<sup>1/</sup> The subdivision work was in progress at the time of the hearings. Some homes were sold but not occupied, and some commercial buildings were occupied. Water service to the occupied buildings was being provided by Russell.

The Steamship Co. has planned the development of the area. There will be boarding stables, a lake with boating and fishing (the lake is in both Los Angeles and Ventura Counties), an English riding school, schools, greenbelts connecting homes to schools so children can walk to school without crossing streets, and parks.

Two subdivision maps for tracts have been recorded. In addition, seven have been submitted for approval.<sup>2/</sup> Four of the tracts will be owned by the Steamship Co. They are Tract 1930, the Automotive Center containing 85 acres and located at the northwest corner of the intersection of the Freeway and Westlake Boulevard; Tract 1932, the commercial area directly north of the Automotive Center and containing 87 acres; Tract 1921, the Industrial Center containing 135 acres located across the Freeway from the Automotive Center; and residential Tract 1954, which is the Ventura County portion of the land around the lake and contains 150 acres. In addition, five tracts will be constructed by joint ventures comprised of, in each instance, a wholly owned subsidiary of the Steamship Co. and a separate contractor. Each of the wholly owned subsidiaries is different; i.e., in Tract 1958 containing 84 acres, the subsidiary is Arboles Development Co.; in Tract 1967 containing 310 acres, the subsidiary is Encina Development Company; in Tract 1972, containing 210 acres, the subsidiary is Flores Development Company; in Tract 1998 containing 75 acres, the subsidiary is Hacienda Development Co.; and in Tract 1999 containing 170 acres, the subsidiary is Granada Development Co. There is a total of 1,306 acres in the nine tracts.

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<sup>2/</sup> Exhibit 6.

In each instance, the wholly owned subsidiary has greater than a 50 percent interest in the profits and the financial risk is claimed to be solely on the subsidiary.

Final subdivision maps have been filed for Tracts 1930, 1967 and 1958; construction work has started in Tract 1921 (industrial) and one tenant, IBM, will take possession in February, 1969; grading work has commenced in Tract 1972; in Tract 1932, a lease is being negotiated; model homes are open in Tract 1967; homes are ready for occupancy in Tract 1958; all island lots in the lake tract, Tract 1954, have been graded; a tentative map has been approved for Tract 1998; and a tentative map of Tract 1999 has been submitted. Most of the above listed tracts are in applicant's pressure Zone I. In addition to the listed subdividers, applicant intends to develop before 1972, six additional subdivisions comprising approximately 2,950 acres which are located in pressure Zones II and III. Full occupancy of the 8,200 acres is assumed by 1990.

#### The Water Supply

Applicant will secure its water from Russell. Water imported to the Russell area, which is coextensive with applicant's proposed service area, is delivered to Russell through facilities of MWD and Calleguas. Calleguas has constructed the Lindero Feeder which crosses the northern portion of the area, and the Erbes Lateral which terminates at a seven million-gallon reservoir west of the proposed service area. Steamship Co. has constructed a 24-inch line for Russell from the southern end of the Erbes Lateral to Tract 1930 and a 20-inch line south across the Freeway

to Tract 1921. Russell also proposes to construct a six million-gallon reservoir at the western edge of the service area north of the 24-inch line and proposes to connect it to the 24-inch line with an 18-inch line. It proposes to construct a 22-, 18-, and 16-inch line approximately two and one-half miles in length between the Lindero Canyon Feeder and the 24-inch line thus forming a loop (Figure 6-2, Exhibit 26).

When both lines have been constructed a maximum rate of supply of 30 cubic feet per second (cfs) will be available to Russell. Applicant's engineer testified that, by boosters, this can be increased to approximately 36 cfs which, with the proposed storage (Exhibit 26, Fig. 6-2), will meet the requirements of the proposed service area at full development. The staff hydraulic engineer agreed that the water supply will be adequate for the area when fully developed if the planned system and storage are installed and if 36 cfs of supply is available.

#### The Service Contract

On July 3, 1968, the Steamship Co. and Russell executed an agreement<sup>3/</sup> relative to the Erbes Lateral and the Lindero Feeder which referred to prior agreements in which the Steamship Co. caused the facilities necessary to bring water from the Erbes Lateral to Russell to be constructed; Russell agreed to pay the Steamship Co. for said facilities and bonds were issued and sold by Russell to secure funds with which to repay the Steamship Co. The agreement recites that the Steamship Co. has caused applicant to apply for the herein requested authority. The parties agree that Russell should be the purveyor of water for all of the service area; that the Steamship

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3/ Exhibit 13.

Co. assign to Russell all of its right to water from Calleguas through the facilities; that Russell will pay the Steamship Co.'s expenses for bringing water to the area; that Russell will supply the assigns or designees of the Steamship Co. with its or their water requirements in the Russell area; and that

"For supplying such water Russell Valley shall be paid, by the entity or entities receiving same, such sums as the parties may from time to time agree are reasonably necessary and proper under all the circumstances, which sums shall not, however, prior to December 31, 1988, exceed a sum equal to the amount charged Russell Valley by Calleguas Municipal Water District (or other agency supplying water to Russell Valley), plus Two Dollars (\$2.00) for each acre-foot of water sold."

Russell proposes to execute an agreement with applicant in the form of Exhibit "C" to the application, provided this Commission authorizes its execution, whereby Russell will undertake to deliver not to exceed 30 cfs to applicant and applicant will pay to Russell,

- "(a) The cost per acre-foot, for each acre-foot of water used, which Russell Valley is charged by Calleguas Municipal Water District for said water.
- "(b) The sum of \$2.00 per acre-foot to cover estimated costs of amortizing capital costs, bond interest and handling, operation, repairs and maintenance by Russell Valley of its facilities."



It was further agreed that:

"The sum referred to in subparagraph (b) above shall be subject to renegotiation as the parties hereto may reasonably agree, every five years from date of this contract, during the life of this contract or any extensions thereof."

The cost of water furnished to Russell by Calleguas will be as follows for the stated periods:

<u>Effective Date</u>	<u>Calleguas Rate in Dollars per Acre-foot<sup>4/</sup></u>
July 1, 1968	59.00
July 1, 1969	62.00
July 1, 1970	66.00

The Commission's engineering staff recommended that paragraph 2 (b) above be revised to provide:

"The sum of \$2.00 per acre-foot to cover estimated costs of operation, repair and maintenance by Russell Valley of its facilities, excluding power costs. No charge for bond amortization, bond interest or handling charges will be included in amounts paid for water purchases."

The staff also recommended that 2 (c) be added to state that applicant will pay power costs for Russell's booster pumps; and noted that the 20-year prohibition against increasing the cost of water over that charged by Calleguas, as provided in the July 3, 1968 agreement between the Steamship Co. and Russell was not included in the contract.

The applicant has stated it has no objection to a reasonable revision of the service contract.

There is ground water in the area but this has not been considered by the applicant as a source of supply.

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<sup>4/</sup> New rates.

An emergency supply of water can be secured from the Las Virgenes Municipal Water District which furnishes water to the Los Angeles County portion of the Steamship Co.'s property.

#### The Distribution System

The proposed distribution system has been divided into four zones. Zone boundaries, in general, are established so that pressures within each zone will range from a minimum of 45 psi to a maximum of 125 psi. The minimum and maximum ground elevations of the zones are as follows:

<u>Zone</u>	<u>Minimum Elevation</u>	<u>Maximum Elevation</u>
I	880	1050
II	1050	1230
III	1230	1410
IV	1410	1590

The portion of the service area to be served primarily from the Erbes Lateral includes all of Zone I and portions of Zone II and Zone III located south of the Freeway.

The hydraulic grade of water in Zone I will be established by water levels in the six million-gallon reservoir proposed for construction by Russell at an elevation of approximately 1,160 feet. At this hydraulic grade elevation, water can be supplied to the system in Zone I directly.

Water will be delivered to the distribution system in Zone II from a booster pumping station on Westlake Boulevard. A proposed 1.6 million-gallon reservoir in Zone II will provide equalizing and fire storage for this zone at an elevation of about 1,340 feet. A booster pump station located at the reservoir will deliver water to Zone III.

Water to Zones II, III and IV north of the Freeway will be supplied from the Lindero Feeder through facilities of Russell.

The hydraulic grade of Zone II north of the Freeway, will be controlled by reservoirs to be constructed at an elevation of about 1,340 feet. Water can be delivered directly to the Zone II area from the Russell system.

Three reservoirs with a combined capacity of 5.2 million-gallons are proposed for construction by applicant to provide equalizing and fire storage for Zone III. The hydraulic grade elevation established by these reservoirs is about 1,520 feet. The hydraulic grade elevation of water served in Zone IV will be controlled by reservoirs to be constructed at an elevation of about 1,700 feet.

The staff engineer stated that the system plans for first stage construction meet the requirements of General Order No. 103 and that applicant proposes to construct in-tract facilities to meet such requirements.

#### Water Supply Permit and Franchises

The State Department of Public Health has granted applicant a water supply permit, excluding any ground water supplies, based upon water being supplied by Russell through the Erbes Lateral and the Lindero Canyon Feeder, (Exhibit 2).

Applicant's proposed service area is partly in the County and partly in the City. It has a water franchise from the County (Ordinance 2035), and a water franchise from the City (Ordinance 205). It requests a certificate of public convenience and necessity to exercise the rights and privileges conferred by each franchise.

The County franchise (Article 1, Chapter 1, Division 3 of the Public Utilities Code) is for a period of twenty years. The City franchise (Article 1, Chapter 2, Division 3 of the Public Utilities Code) is for a period of fifty years.

The County franchise requires the payment of 2 per cent of the gross annual receipts arising from operations conducted pursuant to the franchise.

The City franchise requires the payment of 2 per cent of the gross annual receipts arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than 1 per cent of the gross annual receipts derived from the sale of water by applicant within the limits of the City.

The reason for the two franchises is that a portion of the proposed service area is presently in the County. As the system is developed, however, the developed areas are being incorporated into the City.

Rates

Applicant proposed rates as follows:

General Metered Service

Quantity Rates:	<u>Zone I</u>	<u>Zone II</u>	<u>Zone III</u>	<u>Zone IV</u>
First 500 cu.ft. or less	\$2.80	\$3.10	\$3.40	\$3.60
Next 2,500 cu.ft., per Ccf	.36	.40	.44	.48
Next 7,000 cu.ft., per Ccf	.32	.36	.40	.44
Next 40,000 cu.ft., per Ccf	.28	.32	.36	.40
Over 50,000 cu.ft., per Ccf	.20	.24	.28	.32

## Monthly Minimum Charges:

	<u>Zone I</u>	<u>Zone II</u>	<u>Zone III</u>	<u>Zone IV</u>
For 5/8 x 3/4-inch meter	\$ 2.80	\$ 3.10	\$ 3.40	\$ 3.60
For 3/4-inch meter	4.96	5.50	6.04	6.48
For 1-inch meter	8.20	9.10	10.00	10.80
For 1-1/2-inch meter	15.00	16.70	18.40	20.00
For 2-inch meter	24.60	27.50	30.40	33.20
For 3-inch meter	34.20	38.30	42.40	46.40
For 4-inch meter	59.40	67.10	74.80	82.40
For 6-inch meter	90.20	102.30	114.40	126.40
For 8-inch meter	146.20	166.30	186.40	206.40

Public Fire Protection

Per fire hydrant, per month \$2.50

Private Fire Protection

Per inch diameter of service, per month \$2.00

The applicant's engineer did not base the higher charges for higher zones on the added cost of pumping but admitted they are judgment figures.

The staff engineer stated that in his opinion, the Zone I rates are reasonable but that the cost per zone lift per Ccf of water boosted is \$0.005 and that the proposed zone differential minimum charges increase \$0.20 to \$0.30 per zone and increases for consumption over 500 Ccf are at a rate of \$0.04 per Ccf per zone.

Financing

The applicant requests authority to issue 375 shares of its stock to Steamship Co. at \$10,000 per share for the total sum of \$3,750,000. This sum was stated to be for the purposes of constructing or acquiring \$3,000,000 of back-up plant; \$300,000 for meters; \$200,000 for organization expense, office and field equipment, and working capital; and \$250,000 for refunds on main extension agreements. The back-up plant is based on the estimated 1972 development. The applicant presented no figures to substantiate its request for the remaining allowances. The staff financial witness adjusted the Stage I estimated cost to \$176,500 for meters; \$2,500 for organization expense; \$12,500 for office and field equipment; and \$10,000 in working cash. No refunds are due at the present time.

Main Extensions

The applicant requests that it be permitted to deviate from the main extension rule by requiring the developers to contribute one-half of the costs of in-tract and special facilities, such as boosters or additional storage. The stated reason for the request is that Russell will provide the basic source of water supply facilities without any capital cost to applicant and the developers will furnish the in-tract facilities.

Russell is, at present, controlled by the Steamship Co. In order to bring water to the area the Steamship Co. guaranteed to Calleguas that any funds required by Russell to extend water service to the area would be paid. Calleguas increased the size of the Erbes Lateral and extended the Lindero Feeder to provide sources of water. Russell constructed a line from the end of the

Erbes Lateral into the service area and has a six million-gallon reservoir under construction. All of the Russell facilities were financed by a bond issue which is now a charge on all property in the area. Russell has full authority to furnish retail water and has a water supply permit (Exhibit No. 1). It has in fact supplied and now is supplying water in Tract No. 1930. It is listed in subdivision reports of the State Division of Real Estate as the furnisher of domestic water (e.g. Exhibit 31). Russell does not desire to get into the retail water business. The Steamship Co. is now and will be, until much of the land has been sold, the major taxpayer, and it desires that applicant furnish water to the area. The principal reason the Steamship Co. does not want Russell to serve the area is that, as home owners move in, if retail water were furnished by Russell, they could elect to keep additional subdivisions out or they could restrict the development to residential purposes. The Steamship Co. does not want to trust the development of the area to the individual property owners.

The Steamship Co. guaranteed funds for the existing Russell construction. Russell will be required to construct a line from the Lindero Feeder to complete the loop when the area is developed. Russell has been authorized to issue an additional \$1,000,000 in bonds, a portion of which it could use to finance this line. If these bonds cannot be sold, the Steamship Co. will guarantee that the loop is completed. If Russell cannot finance this line, the Steamship Co. could donate the line to applicant or sell it to applicant.

Applicant proposes to build with its own funds, at full development, all of the main lines and facilities at a total estimated cost of approximately \$4,800,000 (Exhibit 26, Tables 6-2, 6-3 and 6-4). The total cost of all in-tract facilities was not stated.

The staff objected to the proposed main extension deviation for the reason that in this first stage of construction, the applicant's investment will not equal that of the subdividers, and that normally, a new water company does not request advances for construction or contributions in aid of construction for the in-tract facilities in an initial development.

The present main extension rule is uniformly applicable to all private water utilities, new as well as old. This Commission has in the past authorized deviations from the order where adequate and specific justification have been shown. Applicant has not demonstrated the necessary justification for a blanket deviation from the rule and it would appear to be premature at this stage of the development of the water system. Applicant's request for a deviation from the main extension rule will therefore be denied.

The staff also pointed out that in the ordinary situation, the basic source of supply is furnished by the developer at its expense and becomes part of the cost of the land and is collected from the purchaser. Here, the supply is financed by general obligation bonds of Russell which were made a lien on all property in the area, and the future water users must not only pay for the water service, but must also pay the operating expenses and plant costs of Russell. The Steamship Co. will only be responsible for the bonds to the extent it is a property owner.

The staff's observations on this subject of who should finance the facilities to bring water to the area are well taken. The Commission, as it indicated in Metropolitan Water Company, Decision No. 67845 dated September 15, 1964, favors these costs being borne by the developer and not the utility or the customer. Here, however, we are faced with these facilities being under



construction and the obligation bonds to finance them already issued. It would serve no useful purpose to deny the application solely on this basis. Rather we will grant the request for a certificate of public convenience and necessity, but accept the recommendation of the staff and place applicant on notice that we will not recognize for rate making purposes the bond amortization, bond interest or handling charges of Russell for these facilities.

Other staff recommendations appear reasonable and will be authorized in the order to follow. These recommendations include (1) applicant being required to revise its contract with Russell to show that Russell's books and records shall be available on request to the Commission staff and (2) only those costs of Russell that are actually incurred by Russell and necessary and reasonable in providing water service will be recognized for rate making purposes.

Applicant's request for authorization to enter into the service contract with Russell (Exhibit C attached to the application) will not be granted. As indicated later in this decision, this Commission is placing applicant on notice that only reasonable and necessary costs of Russell will be recognized for rate making purposes and the bond amortization, bond interest and handling charges of Russell for the facilities constructed with the proceeds of the general obligation bonds issued by Russell will not be recognized for rate making purposes. The Commission staff also points out that Russell's pumping costs will approximate \$5.00 per acre-foot of water as compared to the \$2.00 per acre-foot amount included in the contract. Russell's contract with applicant should be reviewed by the parties. In the light of these observations, the agreement, when revised, should then be submitted to the Commission pursuant to the terms and requirements contained in General Order No. 96-A.

Findings

On consideration of the evidence, the Commission finds that:

1. Applicant is a wholly-owned subsidiary of a corporation whose consolidated assets, valued for book purposes, is over \$100,000,000. Applicant was incorporated for the primary purpose of furnishing public utility water service in 8,200 acres of land in southern Ventura County, owned by its parent company. Its proposed service area is coextensive with the Russell area and both areas are entirely within Calleguas.
2. The Steamship Co. has an interest, subject to encumbrance, in all but a small portion of the proposed service area. When the Steamship Co. acquired its interest in the area, there was no water supply and it was undeveloped except for a few small land owners who secured their water from their own wells.
3. The Steamship Co. guaranteed funds for the immediate construction by Russell of additional line capacity in the Erbes Lateral and of an extension of the Lindero Feeder to provide a total of 30 cfs of water to the area. It also guaranteed funds for the construction by Russell of transmission lines into the western portion of the area, and a six million-gallon reservoir. These facilities were under construction and were paid for by a \$2,000,000 issue of bonds which will be a lien on all property in the area for a period of thirty years. These bonds have been sold. Russell is authorized to issue an additional \$1,000,000 in bonds which could be sold to obtain funds for the construction of a transmission line from the Lindero Feeder to tie into the existing Russell line. Whether or not these bonds could be sold is not known but the

Steamship Co. has guaranteed that when the transmission line is needed, it will either buy the bonds or construct the line and sell it to Russell or the applicant.

4. The Steamship Co., through either wholly owned subsidiaries or through joint ventures comprised of a wholly owned subsidiary and an independent contractor, commenced the construction of several subdivisions in the area. Some business properties are occupied. Any water being used in any subdivisions is being furnished by Russell. Russell has a water supply permit, and subdivision reports by the Division of Real Estate list Russell as the purveyor. Russell does not desire to become the permanent purveyor of retail water.

5. Applicant has been granted franchises by the City of Thousand Oaks and Ventura County to install a water system in the proposed area. Applicant must have this Commission's authority to exercise the franchises.

6. In order to furnish the applicant with funds, the Steamship Co. will purchase all stock of the applicant authorized by this Commission. The Steamship Co. has or can secure sufficient funds with which to purchase such stock.

7. Applicant is ready, willing and able to furnish public utility water service in the approximate 1,300 acres ranging in elevation between 880 and 1,050 feet above sea level of Ventura County Tracts 1921, 1930, 1932, 1954, 1958, 1967, 1972, 1993 and 1999 as the initial development when funds are furnished by the parent company.

8. Applicant's proposed rates for Zone I and the rates for public and private fire protection services, as shown in the amendment to the application, are reasonable but the proposed rates for Zones II, III and IV are not reasonable and not necessary for service in the initial development area.

9. Public convenience and necessity require that the proposed initial development area be furnished water service.

10. Applicant has not justified its request for a blanket deviation from the Commission's uniform main extension rule.

11. The increased size of the Erbes Lateral and the Lindero Feeder construction is for the purpose of bringing water to the area. The Steamship Co. is the holder of the title to the land, subject to encumbrances. It has done and will do all improvement work through wholly owned subsidiaries. The only interest the subsidiaries have is an approximately 50 percent interest in particular subdivisions. The costs of the Erbes Lateral, the Lindero Feeder and the initial storage, have been included in the Russell bond issue and are a part of the tax liability, the taxes on which the property owners in the 8,200 acres will be required to pay over a period of thirty years.

12. It is not adverse to the public interest to permit applicant to furnish water service in the initial development.

13. Public convenience and necessity require that applicant be granted a certificate of public convenience and necessity to serve the initial development. Neither public convenience nor public necessity require that applicant be authorized to serve the remaining portion of the area requested in the application.

14. Applicant and Russell have been issued Domestic Water Supply Permits by the California Department of Public Health, and applicant's existing and proposed facilities to serve the initial development comply with the Commission's General Order No. 103, Rules Governing Water Service, Including Minimum Standards for Design and Construction.

15. Applicant should be authorized to issue 131 shares of its common stock, without par value, for cash or facilities at the stated value of \$10,000 per share as follows:

Back-up plant	\$1,106,400
Meters	176,500
Organization expense, office and field equipment and working cash	27,100
	<u>\$1,310,000</u>

16. Applicant should be placed on notice that this Commission will not recognize for rate making purposes the bond amortization, bond interest or handling charges of Russell for the facilities constructed by Russell with proceeds from general obligation bonds.

17. It is reasonable that Russell's books and records be made available upon request to the Commission staff.

18. The Commission should consider for future rate making purposes only those costs of Russell that are actually incurred by Russell and necessary and reasonable for providing water service.

19. Applicant's proposed contract with Russell requires reconsideration by the parties. A revised contract should be negotiated and submitted to this Commission for its approval.

On the foregoing findings we conclude that the application should be granted to the extent and under the conditions contained in the following order.

### O R D E R

IT IS ORDERED that:

1. Westlake Water Company, a California corporation, is granted a certificate of public convenience and necessity to construct and operate a public utility water system to serve those portions of Ventura County Tracts 1921, 1930, 1932, 1954, 1958, 1967, 1972, 1998 and 1999 ranging in elevation between 880 and 1,050 feet above sea level.

2. Applicant is authorized to file, after the effective date of this order, the schedule of rates set forth in Appendix A to this order and a tariff service area map clearly indicating the boundaries of the certificated area and to make its presently filed general rules applicable to this area. Such filing shall comply with General Order No. 96-A and shall become effective on the fourth day after the date of filing.

3. Applicant shall notify the Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein within ten days thereafter.

4. Applicant, after the effective date of this order, is authorized to issue not to exceed 131 shares of its common stock, without par value, at the stated value of \$10,000 per share, for the purposes stated in the findings above.

5. Applicant is granted a certificate of public convenience and necessity to exercise the rights, privileges and franchise granted by Ventura County May 7, 1968 by Ordinance No. 2035 and the franchise granted in September 1967 by the City of Thousand Oaks, within the boundaries of the area certificated herein and areas into which applicant may lawfully extend in the future.

6. Applicant shall notify the Commission within 90 days after the water system is placed in operation that it has a written agreement with Russell that Russell's books and records will be available upon request to the Commission staff. A copy of said written agreement shall be filed with the Commission.

7. Applicant shall prepare and keep current the system map required by Paragraph I.10.a. of General Order No. 103. Within 30 days after the water system is placed in operation under the authority granted herein, applicant shall file with this Commission two copies of such map.

8. Compliance by applicant with Paragraph 2 of this order shall constitute acceptance by it of the right and obligation to furnish public utility water service to the area certificated herein. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

9. For the year 1969, applicant shall apply a depreciation rate of 3.0 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Applicant shall review his depreciation rates at intervals of three years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

10. Westlake Water Company shall file with the Commission a report or reports as required by General Order No. 24-B, which order, insofar as applicable, is made a part of this order.

11. In all other respects the application is denied.

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

Dated at San Francisco, California, this 25<sup>th</sup>  
day of FEBRUARY, 1969.

Commissioner A. W. GATOV

Present but not participating.

Commissioner J. P. VUKASIN, JR.

Present but not participating.

William Symons, Jr.  
President

Thad P. Monroney

James M. Mason

Commissioners

APPENDIX A  
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## Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Westlake Village area comprised of Ventura County Tracts 1921, 1930, 1932, 1954, 1958, 1967, 1972, 1998 and 1999, and vicinity, in the southern portion of Ventura County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First	500 cu.ft. or less	.....	\$ 2.80
Next	2,500 cu.ft., per 100 cu.ft.	.....	.36
Next	7,000 cu.ft., per 100 cu.ft.	.....	.32
Next	40,000 cu.ft., per 100 cu.ft.	.....	.28
Over	50,000 cu.ft., per 100 cu.ft.	.....	.20

## Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 2.80
For	3/4-inch meter	.....	4.95
For	1-inch meter	.....	8.20
For	1 1/2-inch meter	.....	15.00
For	2-inch meter	.....	24.60
For	3-inch meter	.....	34.20
For	4-inch meter	.....	59.40
For	6-inch meter	.....	90.20
For	8-inch meter	.....	146.20

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. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Westlake Village area comprised of Ventura County Tracts 1921, 1930, 1932, 1954, 1958, 1967, 1972, 1998 and 1999, and vicinity, in the southern portion of Ventura County.

RATE

Per Month

For each inch of diameter of service connection      \$2.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Westlake Village area comprised of Ventura County Tracts 1921, 1930, 1932, 1954, 1958, 1967, 1972, 1998 and 1999, and vicinity, in the southern portion of Ventura County.

RATE

Per Month.

For each hydrant ..... \$2.50

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.