

Decision No. 36702

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of Yucaipa Domestic Water Company, a California Corporation, for Order authorizing the sale of property not useful or necessary in performance of its duties to the public.

Application No. 25478.

Thomas A. Chapman, for Applicant.

J. J. Deuel, by A. E. O'Donnell,  
for California Farm Bureau Federation.

BY THE COMMISSION:

O P I N I O N

In this proceeding Yucaipa Domestic Water Company<sup>(1)</sup>, a corporation, engaged in the business of distributing and selling water for domestic purposes in the town of Yucaipa, San Bernardino County, asks the Commission for authority to sell 74½ shares of its total present holding of 174½ shares in Yucaipa Water Company No. 1<sup>(2)</sup>, a mutual company, at a price of not less than \$25.00 per share.

A public hearing in this matter was held before Examiner E. L. Clark, in Yucaipa.

Applicant obtains its entire water supply from the mutual company through the ownership of water stock. Each share in Mutual Company entitles the holder to receive a total of 4½ miner's inch days of water during any 21-day period. Since two calendar months provide nearly three 21-day periods, the Mutual Company has adopted the two-months' interval as the more practical period for distributing and measuring water delivered to its shareholders. On this basis, each share entitles the holder to 13½ miner's inch days of water during any interval of two calendar months and the 174½ shares now owned by Applicant would entitle it to receive

(1) Sometimes hereinafter referred to as Applicant.

(2) Sometimes hereinafter referred to as Mutual Company.

2355.75 miner's inch days of water during such period. This quantity of water exceeds the maximum amount ever used upon this basis. Applicant estimates that the ultimate use of water by its customers will never exceed its entitlement by holding only 100 shares in the Mutual Company, and contends that the additional 74½ shares are not useful or necessary in the performance of its obligation to supply water to the inhabitants of the town of Yucaipa, and that the ownership of said 74½ shares creates a burden and unnecessary expense in the conduct of its business through the necessity of paying annual assessments which have ranged from \$10 per share per year to \$5.00 per year, the latter prevailing at present.

Applicant includes among its fixed capital assets a source of water supply investment of \$17,450, being the 174½ shares in Mutual Company at the par value of \$100 per share. The record shows that the market value of said shares has varied from as high as \$125 to as low as \$10 per share. The utility intends to pass these benefits on to its consumers in the form of lower water rates.

All water is purchased from the Mutual Company at the rate of 30 cents per miner's inch day<sup>(3)</sup>, up to the amount to which it is entitled by its share ownership. Any quantity over that allowance is billed at 85 cents per miner's inch day. Applicant then distributes the water to its customers through individual meters as follows:

First 1,000 cubic feet, or less,	\$1.50 per month
Over 1,000 cubic feet, per 100 cu.ft.	.05

The consumers now are billed a \$3.00 bi-monthly charge, with an allowance of 2,000 cubic feet for the two-month period.

The Commission's engineers presented a study showing possible future increases in number of consumers based on the system's past experience. The estimated quantity of water required to meet consumer demands after 1955 would not be sufficient if only 100 shares were owned by Domestic Company. Further it appeared that if the 174½ shares were retained, Domestic Company would very probably have to acquire an additional water supply in 1971 as the entitlement at the present allotment per share would be exhausted.

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(3) In this locality, a miner's inch day is equivalent to 1,728 cubic feet, or 1/50th of a cubic foot per second for 24 hours.

Yucaipa is primarily a residential community. There are 860 lots in the townsite and the 143 resident users have premises that average three 50-foot lots per user. However, Mr. F. E. White testifying in his own behalf and for a group of consumers, stated that all were in favor of reducing the number of shares because there was little likelihood of the townsite needing more water than produced by the 100 shares proposed to be retained, and that elimination of the \$5.00 annual assessment per share on 74½ shares would decrease the operating expenses some \$372.50 per annum, thus permitting a corresponding reduction in rates charged for water service.

The record indicates that the community has grown very slowly in the past, but even if new consumers are added at the same rate it will take until the year 1955 before the water provided by 100 shares of water stock to be retained is fully utilized. If additional water is required at any time in the future, the water sale from present supplies should place the Company in a financial position to acquire more shares of water stock to meet the increased demand. Under the circumstances it is felt that the Company will be justified in selling the 74½ shares of stock as requested, in order that the present consumers may not be compelled to pay present excessively high rates to maintain an unnecessary water supply for an uncertain future.

#### ORDER

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that 74½ shares owned in Yucaipa Mutual Water Company No. 1, a mutual corporation, by Yucaipa Domestic Water Company, a corporation, are not now useful or necessary in the performance of its duties to the public in its operation of a public utility water system for sale and distribution of water within the townsite of Yucaipa, San Bernardino County, and that the remaining 100 shares of the total of 174½ shares now owned are to be retained in its ownership.

IT IS HEREBY ORDERED that Yucaipa Domestic Water Company, a corporation, be and it is hereby granted authority to sell and transfer on or before December 31,

1943, a total of not more than 74 1/2 shares it owns in Yucaipa Mutual Water Company No. 1, a mutual corporation, at a price of not less than \$25.00 per share.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after any sale or sales of shares herein authorized to be sold, Yucaipa Domestic Water Company, a corporation, shall notify this Commission in writing of the date of each sale and transfer and the price received for each share so transferred.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco California, this 28<sup>th</sup> day of December

1943.

Francis D. Havenner

Justin J. Cresser  
Richard Pacheco  
Thomas D. Plung  
COMMISSIONERS.