

ORIGINAL

Decision No. 39885

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of THUNDERBIRD WATER COMPANY, for (a) authority to issue stock, (b) certificate of public convenience and necessity, and (c) establishment of rates.

Application No. 27810

Thompson & Colegate, by Roy W. Colegate, for Applicant.

O P I N I O N

In this proceeding Thunderbird Water Company, a corporation, asks the Commission for a certificate of public convenience and necessity to supply water for domestic, irrigation and other purposes in an area embracing 633 acres, more or less, in Section 11, T. 5 S., R. 5 E., S.B.B. & K., and adjoining lands, in Riverside County, and for authority to issue sufficient of its capital stock for the acquisition of existing real and personal property and equipment, for the construction of additional facilities and for working capital. The Commission also is requested to establish a schedule of fair and reasonable charges for the water service to be rendered.

A public hearing in this matter was held before Examiner MacKall at Palm Springs.

Section 11 is situated on both sides of State Highway No. 111, approximately ten miles southeast of the City of Palm Springs, and is owned by applicant's affiliate, Thunderbird Ranch, a corporation. Thunderbird Ranch is constructing a resort hotel in the northeast corner of the section, between the state highway and Whitewater River, and is subdividing a portion of its property on the southeasterly side of the highway into homesites of approximately one acre

each to be used as winter residences. Thunderbird Water Company proposes to provide water service to the subdivided area and also to the resort hotel for both domestic and agricultural irrigation purposes.

The existing water facilities were constructed and financed by Thunderbird Ranch and it is proposed to transfer ownership of them to the applicant in exchange for stock of Thunderbird Water Company. A 14-inch cased well, 220 feet deep, located at the rear of the hotel, was already on the property when acquired by Thunderbird Ranch. Mineral and sanitary analyses of the well water indicate it is suitable for human consumption. A test made in February, 1946, showed the well capable of producing 1,109 gallons per minute with the water lowered from a static level of 88 feet to a pumping level of 90 feet below ground surface. There has been installed in the well a 9-stage deep-well turbine pump rated at 350 gallons per minute against a total head of 272 feet, direct-driven by a 30-horsepower electric motor. The discharge control valves are located in a sub-surface pit but the pump house has not yet been built. From the pump discharge, a 6-inch transmission line, approximately 3,440 feet long, has been laid crossing the highway to the reservoir with outlets providing for laterals at the cross streets. A 6-inch line branches from the transmission main just north of the highway, extending about 1,314 feet to the stables, with 2-inch outlets at intervals for irrigating a pasture area. A loop of about 3,230 feet of 4-inch distribution pipe, with 2-inch service connection, has been laid to serve the first unit of the subdivision. A 64,000-gallon storage reservoir, with concrete bottom and sides and a wooden, tar-papered roof, has been built on the hillside above the subdivision, some 156 feet higher than the pumping plant.

In the immediate future applicant plans to lay additional distribution mains along the remaining roads of the tract, totalling about 8,740 feet of 4-inch pipe and 2,300 feet of 2-inch pipe to connect the ends of the 4-inch lines. A suitable pump house and storage shed will be constructed and a number of fire hydrants and water meters will be installed as soon as needed.

Following is a tabulation of the statements covering the property to be acquired and the contemplated additional construction condensed from Exhibit "B" of the application:

TABLE 1

Real property, valued at prices comparable to the intended sales prices of lands in the area:		
Rights of way across property of Thunderbird Ranch)		
Reservoir site, 150-foot square)		\$ 4,500.00
Well site, 50-foot square)		
Existing well valued at estimated cost of replacement		2,200.00
Deep-well pump, with 30-horsepower electric motor, and meter		2,689.08
3,300 feet of 4-inch O.D. 14-gauge pipe		2,169.71
3,400 feet of 6-inch O.D. pipe, laid		4,016.25
Valves and fittings		572.84
64,000-gallon reservoir, concrete gunite construction		2,500.00
14 fire hydrants		560.00
1,000 feet of 6-inch O.D. 11-gauge pipe, not laid		548.43
Expenses of engineering and overhead, estimated at 20%		<u>2,611.27</u>
Value of all properties to be acquired		\$22,367.58
Contemplated additional construction and equipment:		
Organization, legal expense, etc.	\$ 500.00	
Roof for reservoir	1,000.00	
Pump house building, tool shed, storage, etc.	3,000.00	
Pipe lines in subdivided areas	13,000.00	
Water meters, etc.	1,000.00	
Subtotal	<u>\$18,500.00</u>	<u>\$18,500.00</u>
Total		\$40,867.58

Mr. E. Ronald Foster, one of the Commission's engineers, presented a report containing a detailed appraisal of the estimated original cost of the existing water works, as of November 1, 1946, totalling \$18,407, including organization expense estimated at \$500 and lands at an estimated market value of \$2,900. The costs of the various items were determined from books and records of Thunderbird Ranch made available at the time of the field investigation on October 30, 1946, supported by original invoices covering materials sold direct by

the suppliers and from statements of work performed by contractors. In the appraisal the fees for the engineering and other development work were allocated to the various items by adding 10% for overhead. The appraisal also shows the total estimated cost of the additional facilities contemplated to be built in the immediate future as \$10,789, calculated on the same basis as for the existing works. Thus the appraisal shows the estimated cost of the entire water works, as now planned, will amount to \$29,196.

At the hearing applicant presented some later and additional figures covering the cost of the installations to date. This information has been used to revise the appraisal of the Commission's engineer and the following tabulation shows the total estimated cost of the properties, reconciled and adjusted, for the purpose of determining the amount of stock to be authorized for issue at this time:

TABLE 2

<u>Account Number and Description</u>	<u>Estimated Cost Including Overhead.</u>	
C-1 Organization		\$ 500.00
C-5 Landed Capital:		
Rights of way across property of Thunderbird Ranch	\$ 250.00	
Reservoir site, 150-foot square	2,500.00	
Well and pumping plant site, 50-foot square	250.00	3,000.00
C-6 Buildings and Structures:		
Concrete valve pit, approximately 4 feet x 10 feet.		110.00
C-10 Well, depreciated replacement cost (drilled in 1938)		1,996.50
C-14 Pumping Equipment		3,223.00
C-18 Distribution Mains:		
4,754 feet of 6-inch pipe	\$5,229.40	
3,230 feet of 4-inch pipe	1,954.15	
4 gate valves - 6-inch	220.00	
4 gate valves - 4 inch	123.20	7,526.75
C-19 Distribution Reservoir, including roof		3,542.00
C-21 Services:		
9 2-inch ss. blk. pipe, average 30 feet long	\$ 148.50	
12 2-inch ss. blk. pipe, with 3-foot standpipe	165.00	313.50
C-23 Miscellaneous Distribution Equipment:		
300 feet of 6-inch pipe on hand		<u>178.20</u>
Total Cost of Properties as of December 10, 1946:		\$20,389.95

TABLE 2 - Continued

<u>Account Number and Description</u>	<u>Estimated Cost Including Overhead</u>	
Total Cost of Properties as of December 10, 1946, brought forward:		\$20,389.95
<u>Immediate Future Construction (Estimated)</u>		
C-6 Buildings and Structures: Pumphouse, tool shed, storage, etc.		\$ 1,650.00
C-18 Distribution Mains:		
8,740 feet of 4-inch pipe	\$5,768.40	
2,300 feet of 2-inch pipe	1,012.00	6,780.40
C-20 Hydrants, 14 2-inch wharf type		616.00
C-21 Services:		
22 2-inch ss. blk. (double)	\$ 363.00	
28 1-inch ss. blk. (single)	369.60	732.60
C-22 Meters:		
2 2-inch meters	\$ 165.00	
90 5/8-inch x 3/4-inch meters	1,485.00	1,650.00
C-23 Miscellaneous Distribution Equipment: Tools and Supplies		<u>330.00</u>
Total Immediate Future Construction:		<u>\$11,759.00</u>
Total Estimated Cost - Entire Water Works:		\$32,148.95

Applicant has requested authorization to issue sufficient of its capital stock to Thunderbird Ranch for acquisition and construction of properties and equipment and for such amount of working capital as the Commission may deem reasonable. No showing was made at the hearing as to what amount applicant desires or considers necessary for use as working capital, nor for what purposes it had in mind. To the above total estimated cost of the entire water works, as already installed and as now planned for immediate construction, there will be added an amount of \$850 considered reasonable and necessary for working cash capital. The order will authorize applicant to issue 330 shares of its stock of the par value of \$100 each to acquire and construct the properties described in Table 2 and provide applicant with \$850 of working cash capital, an additional well for stand-by and irrigation purposes, a system of irrigation piping, a second storage reservoir further up the slope, a booster plant to supply the higher reservoir, additional mains, and other changes. In the event that actual developments require the installation of such additions and extensions, applicant may file a new application for permission to issue additional stock.

Because of the newness of the venture for which the water service is to be provided and the unknown quantities of water which will be required, it is not possible to estimate the operating revenues and expenses with any degree of certainty and no such estimates were submitted either by applicant or in the report of the Commission's engineer. Initially the main item of expense will be the minimum charge of \$36 per month for the 30-horsepower pumping plant, which charge entitles applicant to the consumption of a certain quantity of energy at the rates shown on Schedule "P" of the California Electric Power Company. In addition, there will be charges for an employee on a part-time basis to operate the pump, for maintenance and operation of the system, and, eventually, reading meters, preparing bills, making collections, keeping accounts and preparing necessary reports, which work will be nominal at first and gradually increase as consumers are added to the system:

At the present time the only consumer is the Thunderbird Ranch and there will be no other demand for water service until construction of homes is commenced in the subdivision. Thunderbird Ranch will require water for its twenty-one guest rooms, the kitchen and dining room with a capacity of two hundred, the bar, the housing accommodations for about twenty-six employees, the stable with eighteen horses; the irrigation of ten acres of pasture, the watering of lawns and shrubbery; the outdoor swimming pool, and other uses including stand-by service for fire hydrants. With no separate piping system, it will be impossible to measure the water used for the several purposes of the Ranch without a multiplicity of meters. Neither is it practical nor safe from the stand-point of fire protection to deliver water for irrigation purposes except by pumping against reservoir pressure.

It was agreed therefore at the hearing that the most practical solution would be to establish a flat rate charge for Thunderbird Ranch and this will be included in the schedule of rates to be established in the Commission's order.

Exhibit "D" of the application shows the following schedule of rates and charges requested to be approved:

Schedule of Proposed Rates

5/8-inch meter - installation charge	\$ 50.00 - monthly minimum	\$2.50
3/4-inch meter - installation charge	60.00 - monthly minimum	3.00
1-inch meter - installation charge	75.00 - monthly minimum	3.50
1½-inch meter - installation charge	110.00 - monthly minimum	4.00
2-inch meter - installation charge	150.00 - monthly minimum	5.00

Monthly Service Rates

0 to	500 cubic feet at 50 cents per 100 cubic feet				
500 to	1,000 " " " 40 " " 100 " "				
1,000 to	2,500 " " " 30 " " 100 " "				
2,500 to	5,000 " " " 20 " " 100 " "				
5,000 to	10,000 " " " 10 " " 100 " "				
10,000 to	50,000 " " " 5 " " 100 " "				
Over	50,000 " " " 2 " " 100 " "				

The Commission will not permit the utility to charge the customers for the installation service connections and meters. The utility is expected to finance the cost of installation of all such facilities.

In the report of the Commission's engineer, it was clearly shown that the monthly minimum charges proposed by applicant are generally higher than those of other public utility water systems operating in the neighboring vicinity and, furthermore, that the monthly quantity charges under the proposed rates would be considerably higher than those of the other utilities for monthly consumptions of 10,000 cubic feet, or less, and increasingly lower for all monthly consumptions over 24,000 cubic feet. An analysis of the proposed charges indicates that those consumers using large quantities of water for irrigation or other purposes would not pay a fair proportion of the costs of service compared with the smaller water users. The evidence furthermore indicates that it is very doubtful if applicant can pump and deliver water under the existing service conditions for as low as two cents, or even five cents, per 100 cubic feet.

It is conceded by applicant that for some time to come the revenues derived from the water system cannot be expected to meet bare expenses of maintenance and operation, including depreciation annuity, to say nothing of a reasonable return on the capital investment. Accordingly, in the Order which

follows this Opinion, a schedule of rates will be authorized which is estimated to produce revenues sufficient to defray out-of-pocket operating costs in the early stages of development, which will not act as a deterrent to business and which, at the same time, should prove fair and equitable to the various classes of consumers.

No franchise from the County of Riverside is required for the operation of this water system. An encroachment permit has been obtained for the crossing of the state highway with applicant's transmission pipeline.

No other public utility water system operates in the vicinity of the area for which a certificate is requested, the nearest being one in Cathedral City approximately two miles away. No one presented any objection to the proposed service and under these circumstances it appears to be in the public interest to grant the certificate for the area requested.

The certificate of public convenience and necessity granted herein is subject to the following provision of law:

"That 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."

O R D E R

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

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require, and will require, the construction, maintenance and operation of a public utility water system by Thunderbird Water Company, a corporation, in the area embracing 633 acres,

more or less, in Section 11, T. 5 S., R. 5 E., S.B.B. & M., and adjoining lands, in Riverside County as more particularly delineated upon the map filed as Exhibit No. 1 in this proceeding, which map is made a part of this Order by reference.

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is hereby granted to Thunderbird Water Company, a corporation, to construct, maintain and operate a public utility for the production, distribution and sale of water for domestic, irrigation and other purposes within the territory hereinabove described.
2. That Thunderbird Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the date of this Order, the following schedules of rates to be charged for all water service rendered to its consumers on and after the first day of February, 1947, which schedules of rates are hereby found to be just and reasonable for the service to be rendered:

Schedule No. 1

GENERAL METER SERVICE

Applicability:

Applicable to all domestic, irrigation and other metered water service.

Territory:

In Section 11, T. 5 S., R. 5 E., S.B.B. & M., and adjoining lands, in Riverside County.

Rates:

<u>Minimum Monthly Charges:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter	\$2.00
For 3/4-inch meter	2.50
For 1-inch meter	3.00
For 1 1/2-inch meter	4.00
For 2-inch meter	5.00

The Minimum Monthly Charges will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following Monthly Quantity Rates:

Schedule No. 1 - Continued

GENERAL METER SERVICE

Rates - Continued:

Per Meter
Per Month

Monthly Quantity Rates:

0 to 500 cubic feet, per 100 cubic feet	\$0.40
500 to 2,500 " " " 100 " " . . . . .	.25
2,500 to 5,000 " " " 100 " " . . . . .	.20
5,000 to 10,000 " " " 100 " " . . . . .	.15
10,000 to 20,000 " " " 100 " " . . . . .	.10
All over 20,000 " " " 100 " " . . . . .	.07

Schedule No. 2

FLAT RATE SERVICE

Applicability:

Applicable to all water service rendered to Thunderbird Ranch.

Territory:

In that portion of Section 11, T. 5 S., R. 5 E., S.B.B. & M., lying northeasterly of State Highway No. 111, in Riverside County.

Rates:

Per Month

Swimming pool	\$25.00
Hotel, per guest room . . . . .	.50
Dining room and kitchen	10.00
Lounge Room or bar	5.00
Rest rooms, each	1.00
Residences (for directors, etc.), each	2.00
Employees' quarters, per person . . . . .	.10
Employees' quarters, each bath or toilet additional . . . . .	.50
Fire hydrants for stand-by service, each	1.00
Stables, per unit of live stock . . . . .	.25
Pasture, per acre irrigated	2.00
Lawns, gardens and shrubbery, per 100 square feet irrigated . . . . .	.03

3. That Thunderbird Water Company, a corporation, within sixty (60) days from the date of this Order, shall submit to this Commission for its approval four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings, the boundaries of its present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

4. That Thunderbird Water Company, a corporation, within sixty (60) days from the date of this Order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

Thunderbird Water Company, a corporation, having requested the Public Utilities Commission of the State of California for an order authorizing it to issue sufficient of its capital stock to Thunderbird Ranch, a corporation, to finance the acquisition and construction of the first unit of its water system and for such amount of working capital as the Commission may deem reasonable, the Commission having considered applicant's request and being of the opinion that the money, property or labor to be procured or paid for through the issuance of \$33,000 par value of stock is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY FURTHER ORDERED as follows:

- a. That Thunderbird Water Company, a corporation, may after the effective date hereof and on or before December 31, 1947, issue and sell to Thunderbird Ranch, a corporation, at not less than par value, not to exceed three hundred and thirty (330) shares of its capital stock of the par value of \$100 a share for the purpose of acquiring and constructing the properties described in Table 2 in the foregoing Opinion and the maintenance of its service.
- b. That Thunderbird Water Company, a corporation, shall file with this Commission a report of the issue of the stock herein authorized and of the disposition of the proceeds, as required by the Commission's Order No. 24-A, which order in so far as applicable is made a part of this Order.

For all other purposes, the effective date of this Order shall be fifteen (15) days from and after the date hereof.

Dated at San Francisco, California, this 21st day of
January, 1947.

Harold A. Kuhl
Justus J. Calver
Wesley Powell
A. J. [unclear]

Commissioners.