

ORIGINAL

Decision No. 43277.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 RANCHO MIRAGE ANNEX NO. 2, a California
 Corporation, For an Order Authorizing
 the Creation of a Public Utility
 Water System

Application No. 30132

Button & Herzog, by A. Ronald Button, and David F. Culver,
 for applicant.

O P I N I O N

Rancho Mirage Annex No. 2, a corporation, asks the Commission to authorize it to conduct a public utility water business at Rancho Mirage, a series of subdivisions located in an unincorporated area of Riverside County, approximately ten miles south of Palm Springs on Highway 111. The Commission is also asked to establish a schedule of meter rates.

A public hearing in this matter was held before Examiner Warner on August 10, 1949, in Palm Springs.

Rancho Mirage Annex No. 2 is a California corporation. Its articles of incorporation were filed with the Secretary of State on June 5, 1946. It has authorized capital stock of 500 shares of par value of \$100 each.

The proposed service area is shown, in part, on the map marked Exhibit 4 of this proceeding, and an additional area is described thereon. The developed and subdivided area shown on the map includes approximately 300 acres of desert land located about ten miles southeast of Palm Springs, Riverside County, extending some 2,400 feet in width, northeasterly, about 7,000 feet along State Highway 111, and more particularly described as a portion of Sections 12 and 13, T 5 S, R 5 E, and Section 18, T 5 S, R 6 E, S.B.B.&M., plus an additional undeveloped and unsubdivided area containing between 150 and 200 acres

lying southerly and westerly of the state highway, extending westerly to the mountains and being contiguous to the aforementioned developed portion. The entire latter portion is owned by applicant, and is bounded on the south and east at various points by territory supplied by privately owned public utilities and mutual water systems.

The main portion of the subdivided area was developed in the latter part of 1945 and in 1946 and 1947. Prior to 1945 one well and approximately $1\frac{1}{2}$ miles of pipe served the subdivision. The subdividers, now organized as applicant corporation, originally turned the operation of the water system over to the Rancho Mirage Community Association, made up of property owners, who operated it as a mutual water company under lease to applicant for \$200 per year. The annual rental charge was paid but once. At the request of said Rancho Mirage Community Association, and, allegedly, because of inability of the association to operate successfully, applicant assumed operation of the water system on February 1, 1948. At the present time there are 99 customers and 428 lots in the subdivided area. Applicant's witness estimated this number may be increased by 25 or 30 new customers by the end of 1950. The area served is a desert resort. Lots sell for \$1,500 each for from $\frac{2}{5}$ acre to $\frac{2}{3}$ acre, except in Rancho Mirage Tract where lots are $\frac{1}{3}$ acre each; homes are in the \$10,000 to \$15,000 category, of Grade A construction, with two or three bedrooms; and the owners reside there, for the most part, the year round.

Water is obtained from three drilled wells, two of which are used for standby only. The two standby wells are not connected to electric power sources for operation, but the evidence indicates they could be, on short notice. They are of 160-gallons-per-minute and 400-gallons-per-minute capacity, and each is equipped with a pressure tank. The main well, located on Lot 21, Rancho Mirage Village Tract, has produced 1,320 gallons per minute on a test, and a log attached to

the application as Exhibit "B" indicates that on March 23, 1948, it produced 437½ gallons per minute on a 50 hp pumping installation. The static level was 98.4 feet; the pumping water level was 102.4 feet, the total pumping head was 329.9 feet for 52.6 miner's inches, and over-all plant efficiency was 67.3%. Combined consumption of water, including a swimming pool and park area, is about 120,000 gallons for each 24 hours, and the capacity of 681,120 gallons per 24 hours from Well No. 3 appears adequate.

Water is boosted from Well No. 3 through a six-inch line to a 2,000-barrel, double-ring, oil-field-type tank at an elevation of some 175 feet above the well. The tank is on the high point of the area, and water is gravitated to the system at a pressure of from 45 to 80 pounds per square inch. An automatic clock control has been installed at the well to maintain a proper level of water in the tank.

The distribution system consists of some 42,000 feet of steel mains varying in size from six inches to two inches.

From the evidence it appears that the water supply available to applicant is adequate to render service to the area.

Easements for pipe lines are in private rights of way, and it has not been necessary to secure a franchise from Riverside County. A witness appearing in behalf of the applicant indicated that the company would be willing to secure such franchise if it was found, at a later date, to be necessary. Permits for crossing county roads are obtainable from Riverside County, as shown in Exhibit 1.

Exhibits filed at the proceeding show that the water has been tested by county health authorities and found to be potable.

Notices of the hearing in this matter were sent to adjoining utilities, and it was determined that newspaper notices had been published in a newspaper of general circulation throughout the area. No protest by said utilities was entered at the hearing.

Applicant proposed certain rates in the application, and testified that they were comparable to those charged at Palm Springs, Thunderbird, and Palm Village.

From February 1 through December 31, 1948, operating revenues amounted to \$3,684, with operating expenses of \$1,736 for power and \$4,086 for other operating expenses, totaling \$5,822, resulting in a net loss for the 11 months of 1948, of \$2,138. However, during the first six months of 1949, operating revenues amounted to \$2,856, with operating expenses of \$647 for power and \$974 for other operating expenses, totaling \$1,621, showing a net profit for the six months ending June 30, 1949, of \$1,235 at present rates. These results of operation may not be construed to be representative of future operations, however, since the accounting did not follow the Commission's Uniform Classification of Accounts for Water Utilities, and several items of operating expense were not charged by the real estate company to the water system. Such items, for the most part, included, taxes, depreciation, and executive salaries.

Applicant's witness stated that it was intended to continue the present rate but that authorization of new rates was requested in order to place them into effect if found necessary to provide adequate earnings. He also stated that 1948 operations were not normal due to extraordinary maintenance found to be necessary upon the taking over of the water system by applicant from the community association. In view of the indicated profitable operations for the first six months of 1949 at the present rates as noted hereinbefore, and further in view of the fact that rates proposed by the applicant would constitute an increase of present rates, no change in rates will be authorized at the present time.

The schedule of rates authorized herein at applicant's request is of the promotional type and being considerably lower than the average charges for comparable service in this territory will not result in an excessive return. After these rates have been in effect for a sufficient time to determine by actual experience the normal operating costs, it is probable that higher rates may be required.

The Commission has considered the request for a certificate of public convenience and necessity and is of the opinion that it should be granted 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.

The action taken herein shall not be construed to be a finding of the value of the property of Rancho Mirage Annex No. 2.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require and will require the construction and operation of a public utility water system by Rancho Mirage Annex No. 2 in Riverside County in the area set forth in the map marked Exhibit 4 in this proceeding and to the additional area described thereon.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted Rancho Mirage Annex No. 2 to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described, subject to the following conditions:

1. Rancho Mirage Annex No. 2 shall file with this Commission in accordance with the requirements of General Order No. 96, the schedule of rates set forth in Exhibit A attached to this order, together with rules and regulations, to be effective on or before October 1, 1949.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service.

TERRITORY

Within the authorized service area of the Rancho Mirage subdivisions in Riverside County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Charge:	
First 500 cu. ft. or less	\$ 1.00
Next 3,500 cu. ft., per 100 cu. ft.20
Next 4,000 cu. ft., per 100 cu. ft.15
Next 7,000 cu. ft., per 100 cu. ft.10
Next 5,000 cu. ft., per 100 cu. ft.075
Over 20,000 cu. ft., per 100 cu. ft.05

Minimum Charge:

For 5/8-inch meter \$ 1.00

The Minimum Charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

2. Rancho Mirage Annex No. 2, within thirty (30) days after the effective date of this order, shall file with this Commission four copies of a suitable map, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundaries of the present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
3. Rancho Mirage Annex No. 2, within thirty (30) days after the effective 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 to be 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 filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 29th day of August, 1949.

R. E. Anderson
Justus J. Green
Harold L. Hill
Harold L. Hill

Commissioners.