

ORIGINAL

Decision No. 43887

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SUNNY SLOPE HEIGHTS WATER COMPANY, a
corporation, for a Certificate of Public
Convenience and Necessity, for Establish-
ment of Rates, and for Issuance and Sale
of Stock.

Application No. 30415

C. Loy Mason, for applicant;
John T. Hodson for a group
of customers.

O P I N I O N

Sunny Slope Heights Water Company, a corporation, by the above-entitled application filed June 20, 1949, requests a certificate of public convenience and necessity authorizing it to construct and operate a water system. It also requests establishment of rates and permission to issue and sell stock. Applicant's proposed service area is located in unincorporated territory in West Riverside, Riverside County, California. A map filed at the hearing as Exhibit No. 3 more particularly delineates the proposed area.

A public hearing on this application was held before Examiner Warner on February 15, 1949, at Riverside, California.

Sunny Slope Heights Water Company is a California corporation. It has an authorized capital stock issue of 2,000 shares of preferred stock of par value of \$50 each (\$100,000) and 5,000 shares of common stock of par value of \$5 each (\$25,000), a total of 7,000 shares of the aggregate par value of \$125,000. The Articles of Incorporation show that both classes of stock have equal voting

privileges. The application indicates that heretofore applicant has issued \$25,000 of its common stock.

The corporation was formed as a result of the reorganization, on May 20, 1949, of the Sunny Slope Mutual Water Company, also a California corporation, incorporated on September 16, 1925, and operating as a mutual water company since that date. The purpose of the reorganization was to incorporate applicant to act as a public utility in order to provide an adequate water supply, to provide storage, and to rehabilitate and enlarge the distribution system in the service area.

The service area consists of approximately 1,550 acres, most of which is gently sloping land located about three miles west of Riverside along the north and south sides of Mission Boulevard, the main highway west of the city of Riverside to Los Angeles. There are 435 customers, including such large users as an ultra-modern and landscaped drive-in theater; the State Forestry Department; a celery grower; a school; and the Puma-Brik Company, a ceramics manufacturer. Domestic customers comprise small acreage residences, and there are a few commercial establishments, such as stores and service stations, in the area. Mission Water Company serves the area to the east, and Fortsite Mutual Water Company the area to the south. Both of these companies are public utilities.

The reorganization of the Sunny Slope Mutual Water Company and the application for a certificate to operate as a public utility were the result of meetings of stockholders of the mutual water company. The purpose of these meetings was to work out the improvement of the then existing water system. An engineer was employed, and a plan was evolved whereby stockholders, together with certain landowners in Rubidoux Rancho (an adjoining area), would advance money

toward the improvement program; about one-half the cost of the necessary improvements being advanced by the stockholders, the balance by the landowners. The advances by said Rubidoux Rancho landowners, for which they were to receive 5% preferred stock, amounted to \$42,942.48 as of the date of the hearing. The plan also provided that sums be advanced by applicant to buy water-bearing lands, install a proper pipe-line system, with adequate reservoir capacity, and fire hydrants. The mutual company stockholders agreed to accept payment for the money advanced in applicant's preferred stock if and when the issuance of said stock was authorized.

Water is now obtained from one drilled well known as Well No. 3, the Corona Well, located in the north central section of the service area near the southeast corner of 30th and Florine Streets. This well is 12 inches in diameter, 260 feet deep, and its pumping plant delivers 450 gallons per minute from a static water level of 121 feet. The evidence indicates that its production could be doubled by increasing the capacity of the pumping plant, but no testimony was introduced indicating a plan to effect such an increase. Water is pumped from this well to two concrete reservoirs which are located on a hill 119 feet above the well site. The reservoirs have a combined capacity of approximately 669,000 gallons.

Water service is provided from the concrete reservoirs by gravity flow to most of the service area. A small section in the northwest portion of the service area, however, is served by a small booster pump which pumps into a 35,000-gallon galvanized steel tank located on a high point in the northwest section of the service area.

A new well, known as Well No. 4, the Erickson Well, has been drilled in the extreme southeast portion of the service area, 1½ miles downgrade from Well No. 3. This well has a 40-foot static

level and has been tested at 1,100 gallons per minute over a 72-hour period with an 8-foot drawdown. It is not connected to the system as yet, but will have a 50 hp pump installed in its 12-inch casing and will be used for standby purposes.

The distribution system consists of approximately 76,375 feet of steel mains varying from 2½ inches to 8 inches in diameter. Most of the area has circulating water mains. Fire protection is provided by 12 permanent fire hydrants located on 6- or 8-inch lines and four temporary fire hydrants. Applicant's witness, C. A. Ray, stated that it is intended to sell the fire hydrants to the fire district and to enter into a contract with the fire district for operation and maintenance of hydrants.

Applicant has an oral agreement with Mission Water Company for the furnishing of emergency standby service to the latter company through a connecting locked valve at a point on the northeast side of Riverview Drive, 344 feet northwest of "A" Street.

Water pressures range from 30 pounds per square inch, at the highest point in the distribution system, to 100 pounds at the lowest points. From the evidence, it appears that the water supply available to the 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 a franchise if it were found at a later time to be necessary.

Exhibit No. 8 shows that the water at the wells has been tested by a chemical laboratory and found to be potable.

Exhibit No. 6 includes a balance sheet as of December 31, 1949, a profit and loss statement for the year 1949, and schedules of funds advanced from customers for construction, notes payable, and accounts payable.

Applicant proposes and requests permission to issue shares of its preferred stock for the purpose of paying advances of \$42,942.48 made by the landowners in Rubidoux Rancho, as noted hereinbefore, and notes and accounts payable of \$51,135.30 incurred in the development of its water system, a total of \$94,077.78. The order herein will authorize the issue of \$94,100 per value of stock for this purpose.

An appraisal of the properties by a Commission staff engineer, introduced as Exhibit No. 9, shows the estimated historical cost of the properties at \$166,893.90 as of January 1, 1950, segregated as follows:

<u>Description</u>	<u>Estimated Historical Cost Including Overhead</u>
<u>Intangible Capital</u>	
Organization	\$ 500.00
<u>Tangible Capital</u>	
Landed Capital	2,700.00
Buildings, Structures & Grounds	5,178.54
Wells	3,457.02
Pumping Plant Equipment	3,332.73
Distribution Mains	97,451.38
Reservoirs & Tanks	26,716.91
Hydrants	3,135.00
Services	8,415.00
Meters & Measuring Devices	13,365.00
General Equipment	<u>2,642.32</u>
Total Tangible Capital	166,393.90
Total	166,893.90

The appraisal shows accrued depreciation of \$12,456.87 and materials and supplies of \$4,000.

At present there are two rates in effect, one designated domestic, the second designated commercial. The domestic rate

includes a minimum monthly charge of \$1.50 per meter per month, which includes the first 300 cubic feet of water usage per month, with the next 300 cubic feet per month at the rate of 30 cents per 100 cubic feet, and all over 600 cubic feet at the rate of 20 cents per 100 cubic feet. The commercial rate includes a monthly minimum charge of \$3 per meter per month for a 5/8 x 3/4-inch meter and \$10 per meter per month for a 2-inch meter. These minimum charges include the first 2,500 cubic feet of water usage per month, with all over 2,500 cubic feet at the rate of 10 cents per 100 cubic feet.

In its application, as amended at the hearing and as shown in Exhibit No. 2, applicant requested establishment of a single rate for all types of service, which would include a monthly minimum charge of \$2 per meter per month for a 5/8 x 3/4-inch meter, \$4 for a 1-inch meter, \$7 for a 1 1/2-inch meter, and \$10 for a 2-inch meter. The monthly charge would include the first 800 cubic feet of water usage per month, with the next 700 cubic feet at 20 cents per 100 cubic feet, the next 1,000 cubic feet at 15 cents per 100 cubic feet, and all over 2,500 cubic feet at 12 cents per 100 cubic feet.

John T. Hodson, appearing for about 30 customers, stated that applicant's amended proposed rate appeared to be more satisfactory with those customers, with the exception of some three persons who suggested slight modification in the rate, than the originally proposed rate.

Applicant's witness, William L. Arnold, introduced a report, as Exhibit No. 1, of an analysis of operating revenues and expenses covering the year 1949 as recorded on the company's books and as adjusted to conform with the Commission's uniform accounting

classification, and for the estimated year 1950. The results of operation, as shown in Exhibits No. 9 and Nos. 1 and 2, are summarized in the following tabulation:

	<u>Exhibit No. 9</u>	<u>Exhibits Nos. 1 and 2</u>
	<u>Year 1949 Recorded</u>	<u>Year 1950 Estimated</u>
Revenues	\$ 12,582	\$ 20,187*
Operating Expenses	8,076	10,796
Taxes	478	704
Income Tax	-	-
Depreciation	<u>3,587</u>	<u>5,437</u>
Total Operating Expenses	12,141	16,937
Net Operating Revenue	441	3,250
Rate Base	160,767	161,000
Rate of Return	.27%	2.01%

* Using amended proposed rates.

In explaining his report, Mr. Arnold stated that the estimated year 1950 included only minimum expenses and did not include estimates for repairs to wells and to pumping equipment; neither did it include salaries of general officers, an estimated salary increase for the superintendent, some legal and insurance expense, and property taxes which applicant, upon becoming a public utility, would be required to pay. Should these expenses be incurred, applicant's rate of return would be substantially lower than the estimated rate of return for the year 1950, as shown above. However, applicant's witness stated that rates were not being requested at this time which would produce what might be considered a fair rate of return.

After review of the evidence of record, including the ability of the system to serve additional customers, the rates ordered herein are considered to be just and reasonable and will be authorized.

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 Sunny Slope Heights Water Company.

O R D E R

The above-entitled application having been considered, and 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 will require the operation of a public utility water system by Sunny Slope Heights Water Company in an area bordering along Mission Boulevard in the unincorporated territory of West Riverside, Riverside County, in the area more particularly delineated by outline in orange upon the map marked Exhibit No. 3 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Sunny Slope Heights Water Company to operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicant shall:

- (1) File rates set forth in Exhibit A attached to this order, to be effective on and after April 15, 1950, together with rules and regulations and tariff service map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
- (2) File, within thirty (30) days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.

IT IS HEREBY FURTHER ORDERED that Sunny Slope Heights Water Company be and it is hereby authorized to issue, after the effective date hereof and on or before August 31, 1950, not exceeding \$94,100 par value of its preferred stock, at par, for the purpose of paying the outstanding indebtedness to which reference is made in the preceding opinion, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issue of said stock is reasonably required by applicant for the purpose herein stated, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that Sunny Slope Heights Water Company shall file with the Commission a report as required by the Commission's General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective twenty (20) days after the date hereof, and that any authorization herein granted will be void if not exercised on or before August 31, 1950.

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

Dated at San Francisco, California, this 7th day of March, 1950.

R. Z. [Signature]

Justice J. Cassin

[Signature]

[Signature]
Commissioners

Commissioner Harold P. Ellis, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service.

TERRITORY

Within service area bounded generally by Riverview Drive, 30th Street, Armstrong Road, Ray's Scenic Terrace, Mission Boulevard, portion of Mountain View Drive, and Golden West Drive, West Riverside, Riverside County, as delineated on the map of the service area.

RATES

Monthly Quantity Rates:

		<u>Per Meter</u> <u>Per Month</u>
First	800 cu. ft. or less	\$ 2.00
Next	700 cu. ft., per 100 cu. ft.20
Next	1,000 cu. ft., per 100 cu. ft.15
Next	2,500 cu. ft., per 100 cu. ft.12
All over	5,000 cu. ft., per 100 cu. ft.10

Monthly Minimum Charge:

For	5/8 x 3/4-inch meter	2.00
For	1-inch meter	4.00
For	1 1/2-inch meter	7.00
For	2-inch meter	10.00

Each of the foregoing Monthly Minimum Charges will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the quantity rates.