

Decision No. 4424

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Lester V. Peterman for a Certificate of
Public Convenience and Necessity for
supplying water for domestic purposes
and to establish rates for such service.

Application No. 30895
Amended

Lester V. Peterman, in propria persona;
William Weygold, protestant; Edna Frye
and Isabel Wetmore, protestants as to
rates.

O P I N I O N

Lester V. Peterman, an individual, by the above-entitled application filed December 30, 1949, requests a certificate of public convenience and necessity authorizing him to construct and operate a water system. He also requests establishment of rates, such request being amended at the hearing. Applicant's proposed service area is located in unincorporated territory in the vicinity of Joshua Tree, San Bernardino County, California. A map attached to the application more particularly delineates the proposed area.

A public hearing on this application was held before Examiner Warner on April 27, 1950, at Joshua Tree, California.

Lester V. Peterman, in his application, avers that he is the sole owner of the water system properties, and a certified financial statement filed as Exhibit 2 indicates that the applicant is financially responsible to assume obligations for and engage in the operations of a public utility water system.

The record shows that on March 1, 1946, applicant incorporated the Sun Valley Mutual Water Company for the purpose of supplying water in this area. Applicant owns all of the assets of the Sun Valley Mutual Water Company and intends to abandon the mutual company and desires to operate as a public utility.

The proposed service area consists of 1,350 acres of predominantly flat desert land located $1\frac{1}{2}$ miles north of Twentynine Palms Highway and 4 miles east of the town of Joshua Tree. Approximately 350 acres of this area have been subdivided as Tracts Nos. 2833, 2924, and 3424. There are some 60-foot lots, but most properties comprise $1\frac{1}{2}$ - to 3-acre ranches devoted to turkey raising. There are 35 active accounts and 45 water connections. Service to acreage properties is furnished through 1-inch meters and to the town-lot properties through $\frac{5}{8}$ - by $\frac{3}{4}$ -inch and $\frac{3}{4}$ -inch meters.

A description of the proposed service area follows:

All of Section 16; N $\frac{1}{2}$ and SW $\frac{1}{4}$ of Section 15; NE $\frac{1}{4}$ except the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 21; and the NW $\frac{1}{4}$ of NW $\frac{1}{4}$, W $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$, the W $\frac{1}{2}$ of the SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 22; Township 1, North Range 7E, San Bernardino Base and Meridian.

Water is obtained from a 12-inch cased well, 317 feet deep, located at the westerly portion of the service area, in which is installed a Pomona deep well turbine pump, direct-connected to a 10 hp electric motor. The well had a tested drawdown of 1 foot during a half-hour run on March 18, 1950, and has a capacity of approximately 60 gallons per minute. This well discharges into a 42,000-gallon steel tank which, in turn, is connected to a 1,000-gallon pressure tank complete with 5 hp pressure pump with automatic equipment set to maintain minimum pressures of 25 pounds per square inch and maximum pressures of 45 pounds per square inch. A second 12-inch cased well located on the pumping plant site is maintained as a standby water supply.

The distribution system consists of approximately 17,500 feet of 4-inch welded steel mains, all of which are located in dedicated streets or alleys. From the evidence, it appears that the water supply available to the applicant is adequate to render service to the subdivided area.

Applicant stated that it has not been necessary to secure a franchise from San Bernardino County but that he would be willing to secure such a franchise if it were found at a later time to be necessary.

There are no other public utility water systems in contiguous or immediately adjacent areas.

Exhibit 1 shows that the water system has been inspected from time to time by county health authorities and that the water appears to be safe and potable.

An appraisal of the properties by a Commission staff engineer, introduced as Exhibit 3, shows, as of April 27, 1950, the estimated historical cost of the properties at \$26,498 and a corresponding reserve for depreciation of \$2,646.

Applicant's present rates and proposed rates as amended at the hearing are as follows:

	<u>Present</u>	<u>Proposed</u>
First 500 cu. ft. or less	\$2.50	\$3.00
For the second 500 cu. ft. or less, per 100 cu. ft.25	.30
For each 100 cu. ft. over 1,000 cu. ft., per 100 cu. ft. ..	.20	.25
Minimum Monthly Rates:		
For 3/4-inch meter	2.50	3.00
For 1-inch meter	4.00	5.00
For 1 1/2-inch meter	6.00	6.00

Applicant stated that operating losses for the year 1947 amounted to \$4,396; for 1948 were \$4,206; and for 1949 were approximately \$4,500, or a total loss in excess of \$13,000. The results of

operation at present and proposed rates as shown in Exhibit 3, the Commission staff report, for the 12-month period ending April 1, 1950, are as follows:

Recorded Revenues	\$1,086.88
Recorded Expenses	<u>2,645.04</u>
Net Revenues	<u>(1,558.16)</u>
Estimated Revenue on Proposed Rate	1,311.00
Estimated Expenses on Proposed Rate* ..	<u>2,645.00</u>
Net Revenues	<u>(1,334.00)</u>

* No county taxes included.

(Red Figure)

The present rates for domestic service on this system are based upon a monthly minimum charge of \$2.50 for 500 cubic feet of water or less. Applicant's request for a \$3 monthly charge for the same quantity of water appears unwarrantedly high under existing conditions and is considerably in excess of the rates charged by other utilities in this general area. The record shows that the new subdivisions served are now in the initial development stage, there being but 35 active consumers. Consequently, the system is greatly overbuilt for present demands. Under such circumstances, it is not proper to place too heavy a burden upon the few present water users. The anticipated increase in new residents will soon insure operations at some profit under the modified schedule of rates established in the following order.

Edna Frye protested the proposed increase in rates but indicated that she was being charged for only one meter at the minimum rate while in fact two meters were installed on her premises.

Isabel Wetmore protested the proposed increase in rates and stated that it had been her understanding that the original purchase price of property at \$700 per acre included water. The record clearly shows that this was a misunderstanding on her part.

William Weygold protested the granting of the certificate and indicated that he believed applicant not to be responsible financially and that the system should be incorporated and operated by someone else, but did not offer a specific proposal for the consideration of the Commission in that regard. The evidence shows that applicant has operated the system for at least three years, that the water supply has been ample, that the service has been improved, particularly with respect to the maintenance of adequate operating pressures, and that no other service complaints have been received, nor were any adduced at the hearing.

There was some intimation in the record that the real estate transactions and ownership of properties by Peterman might be subject to criticism, but no evidence whatsoever was introduced by any party to support such inference, and the record clearly shows that it would be in the public interest to grant the certificate applied for.

After review of the evidence of record, the rates ordered herein, which give recognition to the large water demands of turkey raisers, 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 Lester V. Peterman.

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 will require the operation of a public utility water system by Lester V. Peterman in an unincorporated area consisting of 1,350 acres located $1\frac{1}{2}$ miles north of Twentynine Palms Highway and 4 miles east of the town of Joshua Tree, San Bernardino County, in the area more particularly delineated by outline in blue upon the map attached to the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Lester V. Peterman 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 June 15, 1950, together with rules and regulations and tariff service area 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

Schedule No. 1GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the service area comprising 1,350 acres including Tracts Nos. 2833, 2924, and 3424 located $1\frac{1}{2}$ miles north of Twentynine Palms Highway and 4 miles east of the town of Joshua Tree, San Bernardino County, California.

RATES

Per Meter
Per Month

Quantity Charge:

First 500 cu. ft., or less.....	\$2.50
Next 1,000 cu. ft., per 100 cu. ft.25
Over 1,500 cu. ft., per 100 cu. ft.20

Minimum Charge

For 5/8-inch by 3/4-inch meter.....	\$2.50
For 3/4-inch meter.....	3.00
For 1-inch meter.....	4.00
For 1 $\frac{1}{2}$ -inch meter.....	5.50

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

land and territory served and the location of the various properties of applicant.

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

Dated at San Francisco, California, this 23rd day of May, 1950.

R. E. [Signature]
Justice J. Calver
[Signature]
Harold P. Hills

Commissioners.

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.