

ORIGINAL

Decision No. 45467

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
DESERT WATER COMPANY, a California  
corporation, (a) for Certificate of  
Public Convenience and Necessity to  
Operate Public Utility Water System under  
Section 50 of the Public Utilities Act,  
and (b) for Order Fixing Rates for such  
Water System under Section 32 of the  
Public Utilities Act.

Application No. 31899

Moss, Lyon & Dunn by William G. French, for applicant;  
Rubolo Company, Inc., by Ray W. Bruce, attorney,  
protestant as to Victorville Water System No. 2 area.

O P I N I O N

Desert Water Company, a corporation, by the above-entitled application filed November 16, 1950, seeks certificates of public convenience and necessity to operate public utility water systems in three separate areas. The systems are designated as Victorville Water System No. 1, located about seven miles southeasterly of Victorville, California, Victorville Water System No. 2, located just south of the old town of Victorville, California, and Rimforest Water System, located on the Rim of the World Highway between San Bernardino and Lake Arrowhead, California. The two Victorville water system areas are more particularly delineated on the map attached to the application as Exhibit B. The Rimforest water system area is more particularly delineated on the map attached to the application as Exhibit D. All of the areas requested to be certificated are located in San Bernardino County, California. The Commission is also requested to fix rates for the three separate water systems.

A public hearing was held in this matter before Examiner Warner at San Bernardino, California, on February 7, 1951.

Desert Water Company, a California corporation, is presently engaged in the operation of a public utility water system in Morongo Valley, San Bernardino

County, California, under a certificate of public convenience and necessity granted by the Commission's Decision No. 41627, dated May 25, 1948, in Application No. 28751. Its officers and directors are the same as those of Mountain Properties, Inc., a public utility water corporation which furnishes water service to several separate and nonconnected water systems in Los Angeles and Orange Counties. The headquarters of each corporation is at 5724 Venice Boulevard, Los Angeles 35, California, as shown in the application herein. According to the testimony of a witness for the applicant, the corporations operate as separate entities.

The application for a certificate to serve and to have rates established in each area has been considered separately and is discussed as follows:

Victorville Water System No. 1

The proposed Victorville Water System No. 1 area is located in unincorporated territory in Sections 16, 21, and 22, Township 4 North, Range 3 West, S.B.S. & M., San Bernardino County, California, and is located on the Mojave Desert about six or seven miles southeasterly of the town of Victorville, San Bernardino County. Sections 21 and 22 are divided into five-acre parcels under the Government Lease and Homestead Act. Section 16 is owned by a group of individuals who plan to develop it. As of February 7, 1951, applicant furnished service to 23 active accounts. All water service in this system is furnished on a metered basis. A witness for applicant testified that no flat rate service is presently offered, and that none will be offered in the future. The record shows that about 15 additional homes are under construction.

The source of water supply for this system is a drilled well located in Section 21 within the proposed service area. The well is 470 feet deep, 12 inches in diameter, and has a stated capacity of 1,000 gallons per minute. Static water level in the well is 240 feet. A pump driven by a 20 h.p. electric motor discharges into a 2,000-gallon pressure tank which, in turn, discharges into the distribution system. The distribution system consists of 2,080 feet of 6-inch transite pipe, 2,500 feet of 6-inch steel pipe, 6,855 feet of 4-inch transite pipe,

4,250 feet of 2-inch steel pipe, 533 feet of 1½-inch steel pipe, and 533 feet of 1-inch steel pipe; or a total of 16,751 feet of distribution main.

From a review of the record regarding the sources of water, as outlined hereinabove, it appears that the water supply available to the applicant is adequate to serve the proposed area.

The record shows that applicant received deeds to the lands on which its equipment is located and deeds of easements where pipe lines are located. No franchise is required by San Bernardino County for the operation of the system. A certificate of the San Bernardino County Health Department filed as Exhibit No. 13 shows that the water supply was tested on February 13, 1951, for bacteriological content and was found to be potable.

The record shows that no public utilities of like character with which applicant might compete are located in the area.

Applicant's investment in fixed capital of Victorville Water System No. 1 as of December 31, 1950, as recorded on its books, is set forth in Exhibit No. 9 as follows:

C-5	Land	\$	100.00
C-6	Buildings		223.65
C-10	Wells		4,019.10
C-14	Pumps		2,925.91
C-18	Distribution Mains		15,250.59
C-19	Tanks		810.79
C-21	Services		209.85
C-22	Meters		<u>636.73</u>
	Total	\$	24,176.62

The record shows that the water system in Victorville No. 1 was acquired by applicant at the request of the consumers located therein. Consumers' advances for construction amounting to \$12,244.00 as of December 31, 1950, are shown in Exhibit No. 9. Reserve for depreciation on the above-listed properties is shown as \$103.53.

A statement of income and expense applicable to Victorville No. 1 for the last four months of 1950, filed by applicant as Exhibit No. 12, shows a loss, after depreciation, of \$164.00.

Applicant proposes to charge the following general metered service rates, which are now in effect, in Victorville No. 1:

GENERAL METERED SERVICE

<u>Monthly Minimum Charges:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter . . . . .	\$ 3.00
For 1-inch meter . . . . .	4.00
For 1 1/2-inch meter . . . . .	7.50
For 2-inch meter . . . . .	10.00

Each of the foregoing "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":

Monthly Quantity Rates:

First 1,000 cubic feet, per 100 cubic feet . . . . .	\$ 0.25
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.20
Over 4,000 cubic feet, per 100 cubic feet . . . . .	.15

In the event meters are not available when customers apply for service, the proper size connection will be made and the customer charged the minimum meter rate per month for the size meter required.

These rates appear to be reasonable and will be authorized by the order herein.

Victorville Water System No. 2

The proposed Victorville Water System No. 2 area is located in unincorporated territory in Sections 15, 16, 21, and 22, in Township 5 North, Range 4 West, S.B.B. & M., just south of and adjoining the old town of Victorville, San Bernardino County, California. The area to which water service is being furnished at the present time is located entirely within Section 16. Known as Victorville Estates, the area presently being served has been subdivided into Tract No. 3101 comprising 87 lots, Tract No. 3060 comprising 50 lots, Tract No. 3284, located northwest of Highway 66, comprising about 60 lots, and an unnumbered tract adjoining Tract No. 3060 comprising 59 lots. As of February 7, 1951, applicant was furnishing water service to about 54 active accounts, including fire hydrants. All water service in this area was furnished at a flat rate.

The source of water supply for the Victorville No. 2 area is a drilled

well 490 feet deep, 12 inches in diameter, located on Lot 87, Tract No. 3101, in Section 16. Installed in this well is a pump, driven by a 25 h.p. electric motor, which discharges into a 1,000-gallon pressure tank and thence into the distribution system. Pressure on the system is automatically maintained at a range of between 22 and 40 pounds per square inch. Another well located on Lot 65, Tract No. 3101, in the proposed service area is 492 feet deep and 12 inches in diameter. No pump has been installed in this well. A witness for the applicant testified that a second pump is to be installed when needed, but that there is an adequate supply of water from the well now equipped. The distribution system includes 4,100 feet of 6-inch steel pipe, 11,600 feet of 4-inch steel pipe, 318 feet of 2-inch steel pipe, 230 feet of 1-inch steel pipe, 303 feet of 6-inch transite pipe, and 1,092 feet of 4-inch transite pipe, or a total of 17,643 feet of distribution main.

From a review of the record regarding the sources of water, as outlined hereinabove, it appears that the water supply available to the applicant is adequate to serve the proposed area.

As shown by Exhibit No. 8 filed at the hearing, a purchase and sale agreement dated May 31, 1950, between Desert Mesa Estates Mutual Water Company and applicant, applicant-purchased, for \$5,000, the land, well, pump, motor, pipe lines, pressure tank, and distribution systems now installed to and in Tracts Nos. 3060, 3101, and 3284, together with easements for the continued use, maintenance, repair, and replacement of the pipe lines therein. The agreement further provided that Rubolo Company, Inc., a California corporation, or future owners of land sold by it, would pay one-half of the cost of any extensions of distribution lines necessary to serve additional lands. Said agreement further provided that applicant agreed to drill the aforementioned second well, and to equip it with a pump, motor, and pressure tank; said tank to have a capacity of at least 2,000 gallons.

The record shows that no franchise is required by San Bernardino County for the operation of this system.

A certificate of the San Bernardino County Health Department, filed at the hearing as Exhibit No. 13, shows that the water supply in the Victorville No. 2

area was tested for bacteriological content on February 13, 1951, and was found to be potable.

The record shows that no other public utility water companies of like character, with which applicant might compete, are located in the area. The Victorville County Water District serves a northerly strip of Sections 15 and 16, but made no appearance at the hearing, although the record shows that formal notice was mailed to said district and notices of the hearing were published in newspapers of general circulation throughout the area.

The recorded investment on applicant's books as of December 31, 1950, of Victorville Water System No. 2, is shown in Exhibit No. 9 as follows:

C-5	Land	\$ 610.18
C-6	Buildings	389.45
C-10	Wells	7,566.97
C-14	Pumps	2,500.00
C-18	Distribution Mains	17,097.10
C-19	Tanks	431.53
C-21	Services	466.79
C-22	Meters	<u>123.87</u>
	Total	\$29,185.89

The reserve for depreciation on the above-listed properties as of December 31, 1950, also is shown in Exhibit No. 9 in the amount of \$241.82 and donations in aid of construction are shown therein in the amount of \$938.00. *Deletion*

A statement of income and expense for the last seven months of 1950 for Victorville No. 2, filed as Exhibit No. 12, shows a profit, after depreciation of \$526.55.

Applicant proposes to charge the following flat and general metered service rates which are now in effect in Victorville No. 2:

FLAT RATE

	<u>Per Month</u>
For single-family residence on a lot not to exceed 10,000 square feet in area, through a 3/4-inch service . . . . .	\$ 3.00
For each additional family unit on a single lot . . . . .	2.00
For each additional 100 square feet of lot area . . . . .	.03
For each store, market or shop (service connection not to exceed 3/4 inch) . . . . .	3.00
For each service station (service connection not to exceed 3/4 inch) . . . . .	4.00

Special Conditions:

1. All service not covered by the above classifications will only be furnished on a metered basis.
2. Meters may be installed at option of utility or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 2 - Metered Service.

GENERAL METERED SERVICE

<u>Monthly Minimum Charges:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter . . . . .	\$ 3.00
For 1-inch meter . . . . .	4.00
For 1 1/2-inch meter . . . . .	7.50
For 2-inch meter . . . . .	10.00

Each of the foregoing "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":

Monthly Quantity Rates:

First 1,000 cubic feet, per 100 cubic feet . . . . .	\$ 0.25
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.20
Over 4,000 cubic feet, per 100 cubic feet . . . . .	.15

In the event meters are not available when customers apply for service, the proper size connection will be made and the customer charged the minimum meter rate per month for the size meter required.

A witness for the applicant testified that applicant does not intend to install meters generally throughout Victorville System No. 2.

The protestant Bruce contended that the Commission should consider the \$5,000 purchase price paid to Desert Mesa Estates Mutual Water Company, as disclosed in Exhibit No. 8 hereinbefore referred to, as a basis for fixing rates for this area. He cited the case of Sutter Butte Canal Company v. C.R.C., 202 Cal.

179, as authority for his contention. The Commission's decision upheld by the California Supreme Court in the above-cited case dealt, among other things, principally with its treatment of certain donations in aid of construction and advances for construction in determining the rate base adopted therein for rate making purposes. The case is not in point. No evidence was introduced in the matter herein under consideration to show that the cost of any of the properties recorded on the mutual water company's books and, as a witness for applicant testified, transferred to applicant's books in the amounts shown in Exhibit No. 9, were either donated in aid of construction or advanced by consumers for construction. A witness for applicant testified that the amounts set up on its books for the cost of fixed capital acquired from Desert Mesa Estates Mutual Water Company were the historical cost of such properties to the mutual company. We believe that the amount of \$29,185.89 (the historical cost) shown in Exhibit No. 9 for fixed capital for Victorville Water System No. 2 as of December 31, 1950, is not excessive, and the establishment of rates fixed by the order herein reflects consideration of the amounts so shown.

It is evident that the application herein being considered is for a certificate of public convenience and necessity to serve new areas; that applicant's earnings experience, either on an actual or estimated basis, cannot be determined precisely due to the fact that the financial operations of the system have not been recorded, nor were they required to be so recorded, on applicant's books in accordance with the Uniform Classification of Accounts prescribed for water corporations by this Commission; and that the rates fixed for each of the systems by the order herein may be considered to be trial rates subject to revision in the future by the Commission, either upward or downward, based on actual and estimated results of operation over a reasonable period of time.

We conclude that applicant's request that it be authorized to establish the flat and metered rates as shown in Exhibit C attached to the application in the Victorville No. 2 system is not unreasonable, and that those rates appear not

to be excessive, and they will be authorized by the order herein.

Rimforest Water System

The proposed Rimforest Water System area includes Tracts Nos. 2414, 2986, and 2979 in San Bernardino County, California, and is located on the Rim of the World Highway between San Bernardino and Lake Arrowhead approximately three miles before reaching Lake Arrowhead. As of February 7, 1951, water service was furnished to 36 active metered accounts.

The record shows that applicant acquired the water system from the Rim of the World Mutual Water Company and from Pioneer Title Insurance and Trust Company, San Bernardino, California, in accordance with the terms of a bill of sale filed as Exhibit No. 15 and a grant deed filed as Exhibit No. 16, respectively. A witness for applicant testified that the consideration paid to the Pioneer Title Company for the land and improvements was \$2,000 and that there was no consideration paid to the mutual water company for the personal property. These properties were acquired by applicant on August 9, 1950.

The source of water supply for the Rimforest system is two wells, one, a drilled well 220 feet deep and 12 inches in diameter, and another, 60 feet deep, also 12 inches in diameter. Applicant also owns an adjudicated right to two springs which furnish water in the winter and spring, but during the summer and fall, for the last two years, the springs have been dry. The first well located on Lot 76, Tract No. 2986, has installed in it a pump driven by a 7½ h.p. electric motor which discharges water into the distribution system. The pump is rated at 80 gallons per minute but can be operated not more than 7½ minutes for three pumping periods, each, per hour, due to the fact that the well would pump dry if pumped for a longer period. The second well is located on Lot 13, Tract No. 2414, in the service area and has installed in it a pump driven by a 3 h.p. motor. This pump is not utilized because of possible contamination from nearby cabins. The system has a 110,600-gallon steel storage tank which supplies water to the distribution system. The distribution system includes 2,000 feet of 4-inch steel pipe and 3,300 feet of 3-inch steel pipe, or a total of 5,300 feet of distribution mains.

From a review of the record it appears that the water supply is adequate to provide the water service as applied for.

A certificate of the San Bernardino County Health Department was filed as Exhibit No. 13 and shows that the water supply was tested for bacteriological content on February 17, 1951 and was found to be potable.

Applicant received deeds to the land on which the wells are located and possesses easements for the construction, maintenance, repair, and operation of the mains. No franchise is required by San Bernardino County for the operation of this system.

The record shows that no other public utility water companies of like character, with which applicant might compete, are located in the area.

As shown in Exhibit No. 5 filed at the hearing, the fixed assets as of December 31, 1950, as recorded on applicant's books, of the Rimforest Water System were as follows:

C-5	Landed Capital	\$ 2,039.00
C-6	Buildings	400.00
C-10	Wells	3,140.00
C-14	Pumps	2,980.00
C-18	Distribution Mains	11,916.00
C-19	Distribution Reservoirs	5,000.00
C-20	Hydrants	60.00
C-21	Services	49.00
C-22	Meters	<u>956.00</u>
	Total	\$26,540.00

Corporate surplus as of December 31, 1950, is shown in Exhibit No. 5 amounting to \$20,211.53. The reserve for depreciation is shown therein amounting to \$2,379.10.

A statement of income and expense for the last four months of 1950 for the Rimforest System is shown in Exhibit No. 7. This statement shows a loss, after depreciation, of \$104.57. A witness for the applicant testified that certain unusual expenses had occurred during 1950 which would not occur during a normal year's operation. These unusual expenses included certain pump repair expenses which were incurred in order to maintain the pump in operating condition.

The rates requested by applicant to be established for the Rimforest System are those which are presently in effect and are shown in the following tabulation:

GENERAL METERED SERVICE

<u>Monthly Minimum Charges:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter . . . . .	\$ 2.00
For 1-inch meter . . . . .	4.00
For 1 1/2-inch meter . . . . .	7.50
For 2-inch meter . . . . .	15.00

Each of the foregoing "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":

Monthly Quantity Rates:

First 300 cubic feet . . . . .	\$ 2.00
Next 2,200 cubic feet, per 100 cubic feet . . . . .	.25
Over 3,000 cubic feet, per 100 cubic feet . . . . .	.20

In the event meters are not available when customers apply for service, the proper size connection will be made and the customer charged the minimum meter rate per month for the size meter required.

Special Conditions:

Service will be furnished only on a continuous basis, with a minimum service period of 12 consecutive months.

The rates proposed for the Rimforest System appear to be reasonable and they will be authorized by the order herein.

A witness for applicant testified that customer service matters, maintenance, and billings would be effected from the offices of Mountain Properties, Inc., in Santa Ana, California. This witness testified, further that any services performed, or supplies furnished, by Mountain Properties, Inc., to applicant would be charged directly to applicant. These charges should be at cost and by requisition only.

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 Desert Water Company.

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 public utility water systems by Desert Water Company, a corporation, in three separate areas described in the opinion herein as Victorville Water System No. 1, Victorville Water System No. 2, and Rimforest Water System in San Bernardino County, California, said areas being more particularly delineated on the maps filed with the application in this proceeding as Exhibits B and D attached thereto, therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Desert Water Company to operate a public utility water system for the production, distribution, and sale of water within the territories hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. File the rates set forth in Exhibit A attached to this order, to be effective on and after May 1, 1951, 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 forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indi-

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to unmeasured water service for domestic, commercial, irrigation and other purposes.

TERRITORY

Within the area known as Victorville No. 2 located in Sections 15, 16, 21, and 22, Township 5, north, Range 4 west S.B.B. & M. and including therein the Victorville Estates comprising Tracts Nos. 3101, 3284, and 3060, San Bernardino County and other territory in the above-mentioned Sections.

RATES

Monthly Flat Rates:

For single-family residence on a lot not to exceed 10,000 square feet in area, through a 3/4-inch service . . .	\$ 3.00
For each additional family unit on a single lot . . . . .	2.00
For each additional 100 square feet of lot area . . . . .	.03
For each store, market, or shop (service connection not to exceed 3/4 inch) . . . . .	3.00
For each service station (service connection not to exceed 3/4 inch) . . . . .	4.00

SPECIAL CONDITIONS:

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. Meters may be installed at option of utility or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 2 - General Metered Service.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service for domestic, commercial, irrigation and other purposes.

TERRITORY

Within the areas known as Victorville Nos. 1 and 2 located in Sections 16, 21, and 22, Township 4 North, Range 3 West S.B.B. & M. and in Sections 15, 16, 21, and 22, Township 5 North, Range 4 West S.B.B. & M. and including therein the Victorville Estates comprising Tracts Nos. 3101, 3284, and 3060, San Bernardino County and other territory in the above-mentioned Sections.

RATES

Quantity Charge:

First 1,000 cubic feet, per 100 cubic feet . . . . .	\$ .25
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.25
Over 4,000 cubic feet, per 100 cubic feet . . . . .	.15

Minimum Charge:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter . . . . .	\$ 3.00
For 1-inch meter . . . . .	4.00
For 1 1/2-inch meter . . . . .	7.50
For 2-inch meter . . . . .	10.00

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

In the event meters are not available when customers apply for service, the proper size connection will be made and the customer charged the minimum meter rate per month for the size meter required.

Schedule No. 3

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service for domestic, commercial, irrigation and other purposes.

TERRITORY

Within the area known as Rimforest located on the Rim of the World drive between San Bernardino and Lake Arrowhead, approximately three miles before reaching Lake Arrowhead, including Tracts Nos. 2414, 2986, and 2797, San Bernardino County.

RATES

Quantity Charge:

First 800 cubic feet, or less . . . . .	\$ 2.00
Next 2,200 cubic feet, per 100 cubic feet . . . . .	.25
Over 3,000 cubic feet, per 100 cubic feet . . . . .	.20

Minimum Charge:

Per Meter  
Per Month

For 5/8 x 3/4-inch meter . . . . .	\$ 2.00
For 1-inch meter . . . . .	4.00
For 1 1/2-inch meter . . . . .	7.50
For 2-inch meter . . . . .	15.00

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

In the event meters are not available when customers apply for service, the proper size connection will be made and the customer charged the minimum meter rate per month for the size meter required.

SPECIAL CONDITIONS:

Service will be furnished only on a continuous basis, with a minimum service period of 12 consecutive months.

cated scale of not less than 600 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.

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

Dated at San Francisco, California, this 20<sup>th</sup> day of March, 1951.

R. J. Murray  
Justin J. Casper  
Kenneth Potter  
John L. Marshall

Commissioners.