

Decision No. 45721**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
 PALM DESERT WATER COMPANY for )  
 certificate of Public Convenience )  
 and Necessity; to issue common )  
 stock in the amount of \$50,000, )  
 to issue a \$58,119.14 note; and )  
 to establish tariff schedules )  
 including rates, rules and )  
 regulations. )

Application No. 32201  
 (Amended)

Lucian W. Shaw, attorney; C. D. Ough, Executive Vice President, and C. W. Henderson, President for applicant; Edith Eddy Ward, Charles L. Milliken, Herbert Pritzlaff, Vernon Peck, Walter C. Markly, W. S. Bear, and Lillian Olsen, consumers, and H. L. Cavanaugh for Indio School District, interested parties.

O P I N I O N

Palm Desert Water Company, a corporation, by the above-entitled application filed March 12, 1951, requests a certificate of public convenience and necessity to operate a water system in unincorporated territory at Palm Desert, Riverside County, California. Application is also made to issue stock and a note, and to establish tariff schedules including rates, rules and regulations.

A public hearing in the matter was held before Examiner Warner in Palm Springs, California, on April 25, 1951.

At the hearing, the application was amended by a request, filed as Exhibit 1, for the elimination of the lease, filed with the application as Exhibit M.

The application was further amended by the filing of Exhibit No. 3 (superseding Exhibit D attached to the application)

describing, and Exhibit No. 8, a map, delineating the territory to be served; by the filing of a pro forma balance sheet, as of April 25, 1951, as Exhibit No. 2 to supersede the pro forma balance sheet as of March 1, 1951, filed with the application as Exhibit B; by a request to eliminate the proposed Rules and Regulations attached to the application as Exhibit L; by a new statement of estimated assets to be acquired and proposed financing, filed as Exhibit No. 4, to supersede Exhibit G attached to the application; by a new schedule of proposed rates, filed as Exhibit No. 5, to supersede Exhibit H attached to the application; by a statement of stock and note to be issued, filed as Exhibit No. 6, to supersede Exhibit I attached to the application; and by a statement of detailed cost of property proposed to be acquired as of April 25, 1951, filed as Exhibit No. 7, to supersede Exhibit J attached to the application.

Palm Desert Water Company, a California corporation, was organized December 20, 1949. A copy of its Articles of Incorporation was filed with the application. It is authorized thereby to issue 2,000 shares of common stock of the par value of \$100 each and of the aggregate par value of \$200,000. Its officers are Clifford W. Henderson, President, C. D. Ough, Executive Vice President, Leonard K. Firestone, Vice President, and Oscar A. Trippett, Secretary-Treasurer. Its directors are Phil Henderson, Jr., Justin W. Dart, Leonard K. Firestone, Clifford W. Henderson, and William Lyman Stewart, Jr. The officers and directors are the same as those of Palm Desert Corporation, subdividers, and owners and operators of Shadow Mountain Club.

The territory to which it is proposed to furnish public utility water service is located at the intersection and on both sides of Pines to Palms Highway (State Highway No. 74) and the Palm Springs to Indio Highway (State Highway No. 111),

about 12 miles south of Palm Springs. The proposed territory comprises approximately 1,500 acres, and includes the afore-mentioned Shadow Mountain Club, a large, luxury-type resort club with extensive grounds and swimming pool, several private homes, a church, a school, and various commercial establishments. As of April 25, 1951, a total of 116 consumers were being served. With the exception of three or four services, all water service is metered. At present 47 homes are under construction, and, the record shows, it is estimated that there will be a total of 250 consumers within the next two and one-half to three years. In addition, 130 fire hydrants are connected to the distribution system. No revenue is derived therefrom at present and no fire hydrant service rate is included in applicant's proposed rate schedule.

The water system, the greater part of which was installed in 1946, was constructed, is owned, and has been operated since 1946, by Palm Desert Corporation. No charge has been made by said corporation for water furnished by it to consumers. Distribution mains and service facilities have been installed in all property now subdivided and no additional construction is necessary in the present subdivision.

The alleged purpose of the application being considered herein is to transfer the water system properties from Palm Desert Corporation to Palm Desert Water Company, the newly formed corporation; such transfer to be effected by an issuance of stock and a note, by the latter to the former, and to commence charging for water at an established schedule of rates and in accordance with rules and regulations approved by this Commission.

The source of water supply consists of two wells. Well No. 1, in operation since 1946, located on Lot 7, Block P, is 612 feet deep, with a 16-inch casing. A 60 hp electric motor drives

a pump installed in the well. Said pump has a capacity of 750 gallons per minute. The static water level is 157 feet. A witness for applicant testified that the drawdown is a few inches. Well No. 2, located on Lot 11, Block A-4, is 268 feet deep, with a 12-inch casing. A 30 hp electric motor drives a pump installed in this well. Said pump has a capacity of 375 gallons per minute. The static water level is 134 feet, 10 inches. The pumping level is at 151 feet. This well is not connected to the system, but is maintained as a standby and for future use. Applicant's witness testified that this well will be connected to the system and placed in operation within two or three weeks.

A letter from the Riverside County Health Department, dated October 17, 1950, introduced as Exhibit No. 9, indicates that the water supply had been tested for potability and had been found to be free from contamination.

A copy of a water supply permit issued by the State of California Public Health Department, dated February 26, 1951, was introduced as Exhibit No. 10. This permit contained a recommendation that the system be chlorinated at least two or three times per year. Applicant's witness testified that it was applicant's intention to comply with such recommendation.

Water from the wells is pumped directly into the distribution system, and operating pressures of between 60 and 78 pounds are maintained, automatically, at the pumping station.

Water storage is provided by a 65,000-gallon steel tank located in the upper part of the service area. Said tank floats on the line and supplies water by gravity at satisfactory pressure to all but the uppermost portion of the service area. Applicant's witness testified that a reservoir to be located on a 74-acre site on higher ground to the south of the service area, will be constructed

and will be placed in operation in the fall of 1951. A booster pump and small pressure tank now provide water service to the two customers located at too high an elevation to be served by gravity from the presently installed storage tank.

The distribution system consists of 23,272 feet of 8-inch, 32,714 feet of 6-inch, and 32,896 feet of 4-inch 10-, 12- and 14-gauge "invasion" pipe.

From a review of the record as outlined hereinabove, it appears that the water supply available to applicant and the distribution system installed are adequate to serve the proposed area.

Included in the proposed transfer of properties from Palm Desert Corporation to applicant, will be easements for pipe-line installations throughout the subdivisions, and, thus, it will not be necessary to obtain a franchise from Riverside County.

No other public utilities of like character are presently operating within the proposed area, and no protest to the granting of the application was entered at the hearing by any party, although the record shows notices of the hearing were sent to all consumers and to neighboring public utility water companies and notice of the hearing was published in a newspaper of general circulation in the area.

Applicant's proposed rates for metered service as shown in Exhibit No. 5, filed at the hearing, are as follows:

Minimum Charges:

Meter Size

Per Meter  
per Month

5/8 x 3/4"	\$1.50
1"	2.00
1 1/2"	4.50
2"	6.00
3"	12.00
4"	20.00

Quantity Charges per Month

First 600 cubic feet or less	\$1.50
601 to 1,000 cu.ft. per 100 cu.ft.	.22½
1,001 to 5,000 cu.ft. per 100 cu.ft.	.15
5,001 to 10,000 cu.ft. per 100 cu.ft.	.12½
10,001 to 20,000 cu.ft. per 100 cu.ft.	.10
20,001 to 50,000 cu.ft. per 100 cu.ft.	.08
All over 50,000 cu.ft. per 100 cu.ft.	.05

In view of the fact that no charge has been made for water furnished since 1946 by Palm Desert Corporation, the record shows that no sound estimate of operating revenues under the proposed rate schedule could be made. Further, this record shows that no complete segregation of operating expenses was made (nor was it required to be made) by Palm Desert Corporation between water system expenses and other expenses of the corporation. For that reason, the record shows, no sound estimate of applicant's operating expenses could be made. Consequently, no estimated rate of return under the proposed rates can be determined.

A comparison of the proposed rates with the rates of public utilities operating in the general vicinity of Palm Springs indicates that the proposed rates are not out of line, and the order herein will provide for the filing of the schedule of rates as proposed in the application as amended at the hearing.

With respect to applicant's request to issue common stock in the amount of \$50,000, and to issue a note in favor of Palm Desert Corporation in the amount of \$90,703.02, payable on or before ten years from date of issue, bearing interest at the rate of 5% per annum, payable annually, and, together with the common stock issue of \$50,000, to be in consideration of the assets to be transferred to applicant, the record, in a report on the cost of properties to be acquired by applicant, introduced at the hearing as Exhibit No. 12 by a Commission staff witness, together with information

shown on applicant's pro forma balance sheet, Exhibit No. 2, filed at the hearing, shows that this is reasonable, and the order herein will provide for the granting of such request.

The record shows that applicant is financially able to undertake the proposed operation of the water system and that Palm Desert Corporation is financially capable of and willing and intends to render such financial aid to applicant as is later found to be necessary to operate said water system; such financial aid, the record shows, will be in the form of cash advances and the issuance, by applicant, of notes or other forms of indebtedness for such advances.

The Commission has considered the request for a certificate of public convenience and necessity to serve the area described herein 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 herein described.

#### O R D E R

The above-entitled application as amended 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 Palm Desert Water Company in the area delineated on the map filed at the hearing as Exhibit No. 8; therefore,

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

IT IS HEREBY FURTHER ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, a schedule of rates shown in Exhibit A attached hereto, and, on not less than one (1) day's notice to the Commission and the public, to make said rates effective for service rendered on and after June 1, 1951.

IT IS HEREBY FURTHER ORDERED as follows:

(1) That applicant shall file, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the locations of various properties of applicant.

(2) That applicant shall file, coincident with the rate filing ordered herein, four copies of rules and regulations, and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.

IT IS HEREBY FURTHER ORDERED that Palm Desert Water Company be and it is hereby authorized to issue common stock in the amount of \$50,000, and to issue a note of \$90,703.02, after the effective date hereof and on or before September 30, 1951, for the purposes



EXHIBIT A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

Throughout the entire service area comprising approximately 1,500 acres located at, and on both sides of, the intersection of Pines to Palms Highway (State Highway No. 74) and the Palm Springs to Indio Highway (State Highway No. 111) about 12 miles south of Palm Springs, in unincorporated territory in Riverside County, California.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Charge:	
First 600 cu.ft. or less.....	\$1.50
Next 400 cu.ft., per 100 cu.ft.....	.22½
Next 4,000 cu.ft., per 100 cu.ft.....	.15
Next 5,000 cu.ft., per 100 cu.ft.....	.12½
Next 10,000 cu.ft., per 100 cu.ft.....	.10
Next 30,000 cu.ft., per 100 cu.ft.....	.08
Over 50,000 cu.ft., per 100 cu.ft.....	.05

## Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 1.50
For 1-inch meter.....	2.00
For 1½-inch meter.....	4.00
For 2-inch meter.....	6.00
For 3-inch meter.....	12.00
For 4-inch meter.....	20.00

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

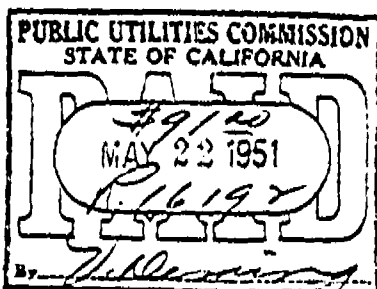
as indicated in this application as amended, and to acquire certain water system assets as set forth therein, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of said stock and the issuance of said note is reasonably required by applicant for the purposes herein stated, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that Palm Desert 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 as follows:

- ✓ 1. That the authority herein granted will be void if not exercised on or before September 30, 1951.
- ✓ 2. That the authority herein granted will become effective when Palm Desert Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$91.

✓ *Relator*  
Dated at San Francisco, California, this 15\* day of May, 1951.



*R. T. Dwyer*  
*Justice F. Calver*  
*Harold P. Hule*  
*John E. Marshall*  
Commissioners.