

ORIGINAL

Decision No. 47434

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ANZA WATER COMPANY, a California)
corporation, for a certificate of)
public convenience and necessity to)
authorize the operation of a water)
distribution system as a public)
utility in the County of Riverside,)
State of California, and to)
establish rates.)

Application No. 33048

Reid and Waugh, by Enos C. Reid and
Joseph A. Rowe, for applicant;
Arthur V. Kaufman, for David Cohen,
Samuel K. Rindge, for Citizens
Domestic Water Company, S. W. Shepard,
for Rohr Aircraft Corporation,
Leonard Miller, for Riverside County
Health Department, interested parties;
James F. Wilson and A. L. Gielegem
represented the Public Utilities
Commission.

O P I N I O N

Introductory Statement

Applicant Anza Water Company was incorporated in this State on December 20, 1947, for the purpose of operating as a water corporation, and particularly to supply water to the purchasers of land from the Anza Realty Company, an affiliated California corporation, in a subdivision described as follows:

Camp Anza Subdivision No. 1, being a resubdivision of Lots 1 to 17, inclusive, and a portion of Lots 18 to 22, inclusive, "Alcazar Subdivision," M.B. 16, pages 31 and 32, Riverside County Records, in the County of Riverside, State of California,

and to domestic, agricultural and industrial users on other lands requiring water.

Applicant's authorized capital stock consists of one hundred (100) shares of no par value, none of which has been issued.

Purpose of Application

By this application Anza Water Company seeks authority to issue all of its shares of stock and to operate as a public utility water corporation. A certificate of public convenience and necessity is requested for an area located in the County of Riverside, known as Anza Village, and a small adjacent area.

A public hearing was held at Riverside, California, before Examiner Chiesa. At the hearing applicant requested that it be permitted to increase its proposed service area so as to include a small area situated easterly of and contiguous to the Anza Village subdivision, which is now part of the service area of Citizens Domestic Water Company. Samuel K. Rindge, president of the latter company, testified that his company is agreeable to applicant's proposal as it would be financially beneficial to his company and also to future consumers because of the more advantageous location of applicant's water facilities.

Proposed Service Area

The Anza Village service area during World War II was the property of the United States Government and was operated as an embarkation camp. Said service area comprises approximately 1,100 acres in unincorporated territory in the County of Riverside, and was improved by the government with lighting, water and sewer facilities. After the war the property was ultimately purchased by the Anza Realty Company, applicant's affiliate.

The Anza Village subdivision of Camp Anza service area is more particularly described as Camp Anza Subdivision No. 1, being a resubdivision of Lots 1 to 17, inclusive, and a portion of Lots 18 to 22, inclusive, "Alcazar Subdivision," Map Book 16, pages 31 and 32,

Riverside County Records. A map outlining the proposed Camp Anza service area, and the additional area lying easterly thereof, was introduced at the hearing as Exhibit No. 16. The general location of the area is westerly of and partially contiguous to the city limits of Riverside and near the intersection of Arlington Avenue and Van Buren Street.

Facilities of Applicant

At present water is supplied by two wells located approximately 3,000 feet from said service area on property owned by the Anza Realty Company in the City of Riverside east of Jackson Street and north of California Avenue. Both wells are drilled to a depth of 92 feet and have 16-inch casing, are equipped with electric motors and pumps, and together produce 2,275 gallons per minute. The present static water level for each is 6 feet and the pumping levels are 13.9 feet and 16.2 feet. The wells are connected by 710 feet of 10-inch welded steel pipe, dipped and wrapped. The starters, controls and miscellaneous equipment at each well are located in frame pump houses having concrete floors.

A 5,540-foot of 12-inch cast-iron transmission main terminates at a 500,000-gallon ground level reservoir. A booster pumping station located near the reservoir raises the water to a 250,000-gallon elevated storage tank at the westerly boundary of the service area. Other facilities are detailed in the engineer's report (Exhibit No. 17).

The present distribution system consists of cast-iron cement-lined pipe in various sizes ranging from 4 inches to 12 inches in diameter, totaling approximately 55,000 feet. The system is designed for full circulation with dead-end mains completely eliminated. There are 98 fire hydrants installed, of which 95 are two-outlet standard fire hydrants with 6-inch barrels and three are single outlet Jones-Heads with 4-inch barrels.

The installed capacity of this water system is far in excess of that required to serve the present customers in the service area. The major portion of the water system was constructed in 1942 for the U. S. Army Engineers, and is reported to have been designed to serve an estimated maximum of 25,000 military personnel.

There were 344 service connections on March 31, 1952, and of these, 341 were for residential, commercial, and industrial consumers, and 3 were for irrigation service. There are no meters installed on the system at the present time.

Applicant proposes to establish rates similar to those set forth in Appendix "A". Billing will be on a bimonthly basis.

N. K. Mendelson, president of applicant company, testified that the Camp Anza property which the Anza Realty Company is acquiring is subject to a deed of trust (Exhibit No. 13) which provides, among other things, that no parcels comprising the water supply system or easements for water lines outside the boundaries of Camp Anza will be reconveyed before final payment has been made on the purchase note. The note is dated January, 1948 and is for the sum of \$408,000 with interest at the rate of 4% per annum, payable quarterly. Principal is payable in installments of \$10,461.54, or more, quarterly. At the time of the hearing a balance of approximately \$170,000 remained unpaid.

Anza Realty Company is now actively engaged in developing said property for residential, commercial, industrial, and agricultural purposes. Its officers and directors caused applicant to be organized for the purpose of acquiring and operating the water system. It is proposed that all of applicant's authorized capital stock, consisting of 100 no par value shares, be issued to the present shareholders of the Anza Realty Company in the same proportion as they now own shares in the realty company, in

consideration for the transfer and assignment by the latter to applicant of "all the water distribution system now owned by Anza Realty Company, including land, distribution mains, wells, reservoirs and tanks, purification plants, transmission mains, pumping equipment, meters, trucks, tools, easements, and such other property and rights necessary for the operation of a water distribution system," in accordance with the agreement filed with its amended application and marked Exhibit "D". The payment for said property, which shall be made by Anza Water Company to Anza Realty Company, shall be the transfer of all the shares of stock of the Anza Water Company to the shareholders of the Anza Realty Company.

Although oral and documentary evidence was presented by applicant's witnesses showing the value of the water system to be several hundred thousand dollars, such evidence was not offered at this time for the purpose of definitely establishing the cost of said water system nor for rate-making purposes.

The Commission engineer's report (Exhibit No. 17) shows the original cost of the water system, obtained from contract records of the U. S. Army Engineers, and recent additions by the Anza Realty Company, to be \$377,320.52, not including landed capital. It was also estimated that "a comparable water distribution system reappraised on the basis of prudent investment over the same historical period produces an indicated valuation of \$239,267, not including landed capital."

In view of the large capital investment and the limited number of present consumers, it is not fair to the present consumers to establish a schedule of rates that would bring a reasonable rate of return. It was shown that the average capital investment of five water utilities in the adjacent areas is \$285.12 per consumer.

As the past operations have not been under the jurisdiction of the Commission, and because records were not kept in accordance with the uniform classification of accounts, no attempt was made to analyze prior operating revenues and expenses. Based on the proposed rates, applicant estimates a loss of \$4,921 for 1952 and profit of \$2,530 for 1953 (Exhibit No. 14).

It is alleged that no franchise or other license or permit is required by the County of Riverside, or any other public authority, as a condition precedent to the operation of a water distribution business by applicant within the said service area. No other utility serves within the proposed service area except as hereinabove set forth. Citizens Domestic Water Company has a main running across applicant's property and serves but one consumer in the area proposed to be taken over by applicant.

The granting of a certificate of public convenience and necessity and the establishment of the proposed rates is not opposed.

Having considered the evidence, we find that public convenience and necessity require that applicant's request for a certificate to serve the proposed area be granted.

The certificate of public convenience and necessity granted herein is 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 or to a political subdivision thereof as the consideration for the grant of such certificate of public convenience and necessity or right.

The action taken herein shall not be construed to be a finding of value of any property hereinabove mentioned.

O R D E R

A public hearing having been held in the above-entitled proceeding, the Commission being fully advised in the premises, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the present or future public convenience and necessity require or will require the construction, operation and maintenance of the water system described in the foregoing opinion.

IT IS ORDERED that a certificate of public convenience and necessity be, and it hereby is, granted to Anza Water Company to operate a public utility water system in Riverside County in the area set forth in a map marked Exhibit No. 16 in this proceeding.

IT IS HEREBY FURTHER ORDERED as follows:

1. That applicant is authorized to file in quadruplicate with this Commission on or after the effective date of this order in conformity with the Commission's General Order No. 96, a schedule of rates shown in Appendix "A" attached hereto and after not less than five (5) days' notice to this Commission and to the public to make said rates effective for service rendered on and after August 15, 1952.
2. 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 location of various properties of applicant.
3. That applicant shall file, coincident with the rate filing ordered herein, four copies of rules and regulations, and tariff service area map in accordance with the requirements of General Order No. 96.

4. That applicant, after the effective date hereof, and on or before December 31, 1952, may issue an aggregate of not to exceed 100 of its no par value shares in consideration of the transfer and assignment to applicant by Anza Realty Company, a California corporation, of all the latter's right, title and interest in and to all the water distribution system described and referred to in this opinion and in Exhibit "D" attached to the amended application, and for the uses and purposes set forth in the foregoing opinion, it being the opinion of the Commission that the money, property or labor to be procured or paid for by the issue of said shares is reasonably required by applicant for the purposes herein stated, and that said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

5. That applicant shall file with this Commission, on or before January 31, 1953, a statement showing the number of shares of stock issued under the authority herein granted, the names of persons to whom said shares were issued, and the consideration received by the applicant for the issuance of said shares.

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

Dated at San Francisco, California, this 8th day of July, 1952.

R. T. [Signature]
President.

Justin J. [Signature]

Harold K. [Signature]

[Signature]

Commissioners.

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured domestic and commercial or agricultural water service.

TERRITORY

Anza Village near City of Riverside, Riverside County.

RATES

Per Meter
Per Month

Quantity Charge:

First	1,500 cu.ft. or less	\$ 2.50
Next	8,500 cu.ft., per 100 cu.ft.15
Next	40,000 cu.ft., per 100 cu.ft.13
Next	100,000 cu.ft., per 100 cu.ft.10
Next	350,000 cu.ft., per 100 cu.ft.08
Over	500,000 cu.ft., per 100 cu.ft.05

Minimum Charge

5/8 x 3/4-inch meter	\$ 2.50
1-inch meter	3.50
1 1/2-inch meter	5.00
2-inch meter	7.50
3-inch meter	15.00
4-inch meter	20.00
6-inch meter	30.00
8-inch meter	50.00

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

SPECIAL CONDITION

1. Bills for water service under this schedule will be rendered bimonthly.

APPENDIX "A"
Page 2 of 3

Schedule No. 2

MONTHLY FLAT RATE

APPLICABILITY

Applicable to all unmeasured water service.

TERRITORY

Anza Village near City of Riverside, Riverside County.

RATES

	<u>Per Month</u>
For a single family residence on one lot not exceeding 7,500 sq.ft. of area . . .	\$3.00
For each additional 500 sq.ft. of area or major fractional part thereof10
For each additional residence on lot	1.50

SPECIAL CONDITIONS

1. Bills for water service under this schedule will be rendered bimonthly and are payable in advance.
2. Meters may be installed at the option of the utility or the customer, and service rendered thereafter will be rendered on a measured basis per Schedule No. 1.

Schedule No. 3

PUBLIC AND PRIVATE HYDRANT RENTALS
AND SERVICES FOR SPRINKLER SYSTEMS

APPLICABILITY

Applicable to all measured domestic and commercial or agricultural water service.

TERRITORY

Anza Village near City of Riverside, Riverside County.

RATES

	<u>Per Month</u>
Public fire hydrant charge per hydrant	\$2.00
Private fire hydrant charge per hydrant	2.00
Private standby for sprinkler systems per inch in diameter of service	2.00