

ORIGINAL

Decision No. 48421

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RANCHO RAMON WATER CO.,)
 a corporation, for a certificate of)
 public convenience and necessity, for) Application No. 34028
 authority to issue stock, and for)
 authority to exercise a franchise.)

Wyman C. Knapp, attorney, for applicant;
Theodore Stein, for the Commission staff.

O P I N I O N

Rancho Ramon Water Co., a corporation, by the above-entitled application filed January 20, 1953, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory near Palm Springs, Riverside County. It also seeks authority to issue stock and exercise a franchise, and requests the establishment of rates. The area proposed to be served is delineated on the map as Exhibit "A" attached to the application.

A public hearing in this matter was held before Examiner Warner on March 10, 1953, at Palm Springs. There were no protests to the granting of the application.

General Information

Rancho Ramon Water Co. was incorporated August 18, 1952. Its officers are Easton E. Spaulding, President, Frank T. Spaulding, Vice President, and John A. Willett, Secretary, all of Los Angeles. Each of said officers is a director.

By its Articles of Incorporation applicant is authorized to issue 1,000 shares of common stock with a par value of \$100 per share and an aggregate par value of \$100,000.

Service Area

The area proposed to be served comprises 67 acres which have been subdivided into 332 lots as Rancho Ramon Tracts Nos. 1, 2, 3, and 4, Riverside County. A well and a water system were installed in Rancho Ramon Tracts Nos. 1 and 2 in late 1946 and in the year 1947. Fire hydrants were connected to this system. No consumers have been or are being served. The system is fully operative, however.

Rancho Ramon Tracts Nos. 1, 2, 3 and 4 are located about 3 miles due east of the city limits of Palm Springs in flat desert land and the service area is immediately contiguous on the north to the service area of Palm Springs Outpost Water Company, a public utility water company. Although a notice of the hearing was sent to said company, it made no appearance.

Stock Issuance and Water System Acquisition

Applicant proposes to issue stock in the amount of \$25,000 to its president. Stock will be issued for the purpose of acquiring the water system facilities presently installed, and for working cash capital. As shown in Exhibit No. 7, a report submitted by a Commission staff engineer, the historical cost, obtained from original invoices where available and estimated where not available, of applicant's fixed capital amounted to \$16,193.14. This amount should be reduced by \$400 to reflect a correction in the historical cost of land as shown in the record. Thus, applicant proposes to issue stock against fixed capital amounting to \$15,793.14. The difference in stock issuance of \$9,206.86 is for the purpose of paying for meters and services and providing working capital. The requested stock issuance will be authorized by the order which follows.

Source of Water Supply

Applicant's present source of water supply consists of a 12-inch well, 270 feet in depth. The presently installed pumping plant facilities have a tested production capacity of 315 gallons per minute. The record shows further, however, that applicant would install larger pumping plant facilities, or drill an additional well, if future demands upon the system required additional sources of water supply. It appears that the water system facilities installed and proposed to be installed are adequate to serve the area requested to be certificated.

Expansion of the System

Two subdividers of Rancho Ramon Tracts Nos. 3 and 4 testified in support of the application. They indicated that they desired immediate water service in order to sell the lots in their subdivisions and that they would advance the costs of the water system installations in such subdivisions. These advances would be subject to an agreement providing for their being refunded out of 35 per cent of the gross revenues arising from the sale of water in the subdivisions over a 10-year period.

Rates

The rates recommended by applicant's engineering witness and proposed by applicant for the area are shown in Exhibit No. 4 as follows:

| | | <u>Metered Service</u> | |
|-----------------|--|------------------------|--------------------------------|
| Quantity Rates: | | | <u>Per Meter Per Month</u> |
| First | 1,000 cu.ft., per 100 cu.ft. | | \$ 0.275 |
| Over | 1,000 cu.ft., but not over 5,000 cu.ft., per 100 cu.ft. | | .23 |
| Over | 5,000 cu.ft., but not over 10,000 cu.ft., per 100 cu.ft. | | .18 |
| Over | 10,000 cu.ft., per 100 cu.ft. | | .15 |
| Minimum Charge: | | | |
| For | 5/8 x 3/4-inch meter | | \$ 2.75 |
| For | 3/4-inch meter | | 4.00 |
| For | 1-inch meter | | 6.00 |
| For | 1-1/2-inch meter | | 9.00 |
| For | 2-inch meter | | 15.00 |

Applicant also requests the establishment of a flat rate of \$5 per residential unit per month. However, applicant intends to install meters throughout its system.

The proposed metered rates appear to be reasonable when compared with the general metered service rates of other public utilities operating in the area. Such comparison is shown in Exhibit No. 4. However, the proposed flat rate appears to be excessive in comparison with the metered rates discussed above. The proposed metered rates and a flat rate of \$3 will be authorized by the order which follows.

Riverside County Franchise

Although application was filed to exercise a franchise to be obtained from Riverside County, and is herein being considered, the record shows that at the present time no franchise would be required by said county. However, the record shows that if such franchise were required, applicant would be willing to apply for it.

Conclusion

The Commission has considered the application of Rancho Ramon Water Co., a corporation, 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 herein described.

O R D E R

Application as above-entitled having been filed, a public hearing having been held, the matter having been submitted, the Commission being fully advised in the premises and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require the construction and operation of a public utility water system by Rancho Ramon Water Co. in Rancho Ramon Tracts Nos. 1, 2, 3 and 4, Riverside County, in the area shown on the map attached to the application as Exhibit "A"; therefore,

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is granted to Rancho Ramon Water Co., to operate a public utility water system in the area hereinabove described.
2. 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, together with rules and regulations and tariff service area map acceptable to this Commission, and on not less than five days' notice to the Commission and the public, to make such rates effective for services rendered on and after May 1, 1953.

3. That applicant shall file, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller 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.
4. That Rancho Ramon Water Co. be and it hereby is authorized to issue stock in the amount of \$25,000 after the effective date hereof and on and before February 28, 1954, for the purposes as indicated in the preceding opinion, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of such stock 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.
5. That Rancho Ramon Water Co. shall file with the Commission a report, or reports, 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.

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

Dated at San Francisco, California, this 30th day of March, 1953.

R. F. [Signature]
President.

Justin F. Casner
Harold P. Hula

[Signature]

Commissioners.

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

EXHIBIT A
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Schedule No. 1

RESIDENTIAL FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all residential water service rendered on a flat rate basis.

TERRITORY

Within the unincorporated territory known as Ramon Tracts Nos. 1, 2, 3 and 4, and vicinity, near Palm Springs, Riverside County.

RATES

Per Month

For each 3/4-inch service connection

\$3.00

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 thereafter will be rendered only on the basis of Schedule No. 2, General Metered Water Service.

EXHIBIT A
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Schedule No. 2

GENERAL METERED WATER SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the unincorporated territory known as Rancho Ramon Tracts Nos. 1, 2, 3 and 4, and vicinity, near Palm Springs, Riverside County.

RATES

Quantity Rates:

| | <u>Per Meter</u> <u>Per Month</u> |
|---|--------------------------------------|
| First 1,000 cu.ft. or less | \$ 2.75 |
| Next 4,000 cu.ft., per 100 cu.ft. | .23 |
| Next 5,000 cu.ft., per 100 cu.ft. | .18 |
| Over 10,000 cu.ft., per 100 cu.ft. | .15 |

Minimum Charge:

| | |
|--------------------------------|---------|
| For 5/8 x 3/4-inch meter | \$ 2.75 |
| For 3/4-inch meter | 4.00 |
| For 1-inch meter | 6.00 |
| For 1-1/2-inch meter | 9.00 |
| 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.