

ORIGINALDecision No. 52396

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 the CORONA CITY WATER COMPANY, a
 corporation, for a certificate of
 public convenience and necessity and
 authority to serve an area adjacent
 to its present service area at
 Corona, Riverside County.

Application No. 37226

In the Matter of the Application of
 the CORONA CITY WATER COMPANY, a
 corporation, for a certificate of
 public convenience and necessity and
 authority to serve an area west of
 its present service area at Corona,
 Riverside County.

Application No. 37390

Walter Clayson, for applicant.
Elvin J. Downs and Preston Wright, for Coronita
 Mutual Water Company; Charles H. Carter,
H. L. Harvill, Charles A. Thomas, Francis A.
Stearns, W. J. Clark, C. D. Carpenter,
 interested parties.
Charles W. Drake, for the Commission staff.

O P I N I O N

Corona City Water Company, a corporation, hereinafter referred to as applicant, distributes domestic water in and around the City of Corona, California. By Application No. 37226, filed with this Commission on August 16, 1955, applicant requests a certificate of public convenience and necessity authorizing it to extend its service to the El Cerrito Hills Tracts and the Blue Diamond Addition, located approximately three miles southeast of the center of the City of Corona (see Exhibit B on the application); and by Application No. 37390, filed with this Commission on October 7, 1955, applicant requests a certificate of public convenience and necessity authorizing it to extend its service to Yorba Heights, located approximately 1-2/3 miles west of the

center of the City of Corona. In each application it also requests authority to place its present tariffs in effect in the area to be served.

A public hearing on both applications was held in Corona on November 28, 1955, before Examiner Kent C. Rogers. Prior to the hearing, notice thereof was published in a newspaper and mailed to applicant's consumers. The two applications were consolidated for hearing and decision.

The record herein shows that applicant is presently furnishing water to 3,400 customers. It secures its water through ownership of 2,100 shares of stock in Temescal Water Company, an alleged mutual company. Each share of stock entitles the applicant to 1/10 of a Southern California miner's inch of water. Applicant proposes to acquire immediately a total of approximately 264 customers in the areas involved in the two applications. From the evidence herein it appears that the amount of water to which applicant is entitled by virtue of its 2,100 shares of Temescal stock, based on past water usage experience,^{1/} will be inadequate to enable it to serve the territories to be acquired without obtaining additional water amounting to not less than 3 miner's inches, continuous flow. Applicant did not dispute this, but its witness stated applicant had always received enough water from Temescal to meet its needs regardless of the quantity of stock owned.

^{1/} Table 2A in Exhibit No. 8.

The applicant appears to have adequate finances.

No franchise is required by the County of Riverside as a condition precedent to the operation of a public utility water system within the proposed areas.

Proposed Acquisition of Cajalco Mutual Water Company Facilities (Application No. 37226).

Cajalco Mutual Water Company serves approximately 60 customers in an area referred to on the application as El Cerrito Hills Tracts located approximately 3 miles south and east of the City of Corona (see map on Exhibit No. 3). It has entered into an agreement with the applicant^{2/} whereby, among other things, it is to transfer to applicant a lot with a 45,000-gallon water tank, together with all pipelines, valves and appurtenances; all pipelines, valves, water meters and appurtenances in the proposed service area; all of its interest in rights of way and easements in said service area; and it is to pay applicant \$5,000, which sum is to be used to connect the existing facilities to the applicant's system and to replace any fully depreciated lines, among other things. In exchange for these items applicant is to accept title to the property and supply domestic water, subject to regulation by this Commission.

^{2/} Appendix B on Exhibit No. 3.

Applicant's witness estimated that the original cost of the facilities and land proposed to be transferred was \$20,831, and that the depreciated cost is \$16,873. Those facilities allegedly are in no instance over nine years of age. The witness estimated the life expectancy of the transmission pipe would be from 25 to 40 years, and he said that no extensive replacements are needed. In order to supply water applicant will be required to construct immediately a 6-inch main 1,100 feet in length from the intersection of State Street and El Cerrito Road at an estimated cost of \$2,695. This, it is claimed, will permit the applicant to supply water at not less than 25 pounds-per-square-inch pressure and at a pressure as great or greater than at present. Applicant also intends, the witness said, to install another 6-inch line 2,100 feet in length from its existing facilities on or near State Highway 71 to the tract, at an estimated cost of \$5,145. This line will further increase the pressure in the tract, but the witness did not know when this line would be installed. A Commission engineer stated that the pressure in the existing system in a portion of the proposed area is below 25 pounds. He said that when the existing system is connected to the applicant's system the pressure will be increased and will be adequate.

The applicant proposes to apply its presently effective rates in the area. These rates, the witness said, are lower than the rates now charged by the seller.^{3/}

The applicant's witness stated that, in addition to lower rates and better pressure, the proposed service will benefit the customers for the reason that they will have better water.

^{3/} See page 4 of Exhibit No. 3.

The applicant proposes, and seeks authorization, to make certain entries in its books, subject to adjustments in the estimated costs of new facilities and to approval by this Commission.^{4/}

Effective January 1, 1955, this Commission prescribed a Uniform System of Accounts for Water Utilities, including those of the class of the applicant herein. Said Uniform System of Accounts prescribes the proper method of recording the transaction here involved. Applicant will be required to enter the transaction as specified in said Uniform System of Accounts for Water Utilities. These entries should be as follows:

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
120 Cash	\$ 5,000	
391 Utility Plant Purchased		\$ 5,000
100-1 Utility Plant in Service	20,831	
391 Utility Plant Purchased		20,831
391 Utility Plant Purchased	3,958	
250 Reserve for Depreciation of Utility Plant		3,958
391 Utility Plant Purchased	21,873	
100-5 Utility Plant Acquisition Adjustment		21,873

The balance in Account 100-5 shall be transferred to Account 270, Capital Surplus.

Proposed Extension West of Corona to Serve
Yorba Heights and the Area Served by the
Coronita Mutual Water Company (Application
No. 37390).

This proposed service area generally referred to as Yorba Heights is about 1-2/3 miles west of the center of the City of Corona (Exhibit B on the application), and contains approximately 285 acres, about 1/5 of which is developed and receiving water from the Coronita Mutual Water Company. All property owners in the area to be served are purportedly stockholders in the mutual company, which is committed to furnish water to the entire area.

^{4/} See page 3 of Exhibit No. 3.

On July 5, 1955, applicant offered to purchase all fixed assets of the Coronita Mutual Water Company for the sum of \$26,000 in cash.^{5/} The fixed assets were to include, among other things, three well sites, one well and pumping plant, one tank site with a 95,000-gallon tank thereon, and easements, rights of way and water rights. The Coronita Mutual Water Company accepted the offer subject to approval by this Commission on or before December 31, 1955.

Applicant's witness testified that applicant proposes to acquire the water supply and distribution facilities of the mutual company and to serve the area that company now is committed to serve. Applicant intends, subsequent to the acquisition thereof, to sell the well sites, pumps and buildings to the Temescal Water Company for their depreciated value of \$4,100. The estimated original cost thereof was \$17,584. Attention is invited to the provisions of Section 851 of the Public Utilities Code which, in terms, prohibits the sale by any public utility of the whole or any part of its plant, system, or other property necessary or useful in the performance of its duties to the public, without first having secured from this Commission an order authorizing it to do so. Included in the facilities proposed to be purchased by applicant from Coronita Mutual Water Company is a water supply consisting of a well and related pumping equipment which, according to the record, produces upwards of 20 miner's inches of water. If this well and its related facilities were purchased and retained by applicant the system water deficiency hereinabove discussed would be more than offset.

The estimated depreciated value of the land, tank, mains, services and hydrants to be retained by applicant is \$34,767. The estimated original cost thereof was \$40,601. The mutual company

^{5/} Appendix B on Exhibit No. 5. Also Exhibit No. 7.

charges a flat rate at present, its services being nonmetered. Applicant will install meters at an estimated cost of \$7,250, and will extend a 6-inch line from the intersection of 6th Street and Smith Avenue at an estimated cost of \$6,000, all of which is to be paid by the applicant.

The applicant proposes to apply its presently effective rates in the area. These rates will result in the consumers paying approximately the same as they pay at present (see pages 5 and 6 of Exhibit No. 5).

Applicant's witness stated that in his opinion the customers will benefit in that they will have a more reliable and plentiful supply of water, there will be an experienced man available to make repairs in the event of failure of the service, and the management is experienced.

The applicant proposes to make certain entries in its books, subject to adjustments in the estimated costs of new facilities and subject to approval by this Commission.^{6/}

Under the Uniform System of Accounts prescribed by the Commission, the following are the correct entries which should be made after deleting the results of the proposed sale of the well and related facilities hereinbefore discussed.

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
391 Utility Plant Purchased	\$26,000	
120 Cash		\$26,000
100-1 Utility Plant in Service	58,185	
391 Utility Plant Purchased		58,185
391 Utility Plant Purchased	19,318	
250 Reserve for Depreciation of Utility Plant		19,318
391 Utility Plant Purchased	12,867	
100-5 Utility Plant Acquisition Adjustment		<u>12,867</u>

The balance in Account 100-5 shall be transferred to Account 270, Capital Surplus.

^{6/} See page 5 of Exhibit No. 5.

The applicant has Rule and Regulation No. 2-B, reading as follows:

"The utility will endeavor to supply water at working pressures of not less than 25 pounds per square inch and not exceeding 125 pounds per square inch at consumer's service connection. Provided, however, the utility is not obligated to install or operate booster pumps to create pressures."

From the record herein it appears that the applicant's system is a gravity feed system and that there are portions of the Yorba Heights area which will have water at such low pressure that consumers will be required to install booster pumps in order to receive water. The Commission's staff recommended that the applicant be required to install the pumps to increase the pressure without charge to the consumers. The applicant declined to do this voluntarily, and advised the Commission that it would withdraw the application rather than provide booster pumps.

The attorney for the Coronita Mutual Water Company, a company composed of all of the property owners in the tract, stated that all persons residing above the level of the storage tank had waived any request for pumping above the level of the storage tank.

The Commission has not by general order to date required that water be furnished at any certain pressure. The consumers of the Yorba Heights area have stated for the record that they are willing to provide booster pumps at their own expense where necessary.

Upon the evidence of record herein, the Commission is of the opinion and finds that public convenience and necessity require that applicant provide water service in the areas hereinafter

described, subject to the conditions set out in the order herein and 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 applicant will be authorized to place its present tariffs in effect in each of the areas.

The action taken herein shall not be construed to be a finding of the value of the property herein described.

It appears that the agreement between applicant and Coronita Mutual Water Company should be consummated on or before December 31, 1955, for which reason the effective date of the order will be shortened to December 30, 1955.

O R D E R

The above-entitled applications having been filed, a public hearing having been held, the Commission being fully advised in the premises and having made the foregoing findings of fact, and based upon said findings,

IT IS HEREBY ORDERED:

That Corona City Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct and operate public utility water systems (a) in the portion of Riverside County in the vicinity of the City of Corona known as El Cerrito Hills Tracts, and shown on Map A of Exhibit No. 3 herein, and (b) in the portion of Riverside County in the vicinity of the City of Corona known as Yorba Heights, and shown on Map A of Exhibit No. 5 herein. This certificate,

as to the area referred to as Yorba Heights is, however, granted upon the condition that applicant shall acquire the properties of Coronita Mutual Water Company in accordance with the offer set out in Appendix B on Exhibit No. 5 and in Exhibit No. 7, and shall retain the well and related facilities included in such properties until and unless the Commission shall otherwise order.

IT IS HEREBY FURTHER ORDERED:

1. That Corona City Water Company, if it acquires the hereinabove described properties, shall, within thirty days thereafter, refile in quadruplicate its presently effective tariff schedules to provide for the application of its presently effective rates and rules in the service areas being acquired herein, and shall file a tariff service area map acceptable to the Commission, all in accordance with the procedure prescribed by General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

2. That applicant shall file, within forty days after the transfer of the properties herein authorized to be acquired, four copies of a comprehensive map acceptable to the Commission, 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, the principal water production, storage and distribution facilities; and the location of all of the applicant's various water system properties, including the properties authorized to be acquired herein.

3. That if the authority herein granted is exercised, applicant shall, within thirty days thereafter, notify this Commission in writing of the date of such completion of the property transfers herein authorized.

4. That applicant shall record the acquisition of the properties referred to herein, in accordance with the Uniform System of Accounts for Water Utilities (Class A, Class B and Class C) as prescribed by this Commission by order effective January 1, 1955, as set forth in the preceding opinion.

5. That within ninety days after the transfer from Cajalco Mutual Water Company to Corona City Water Company of the water facilities serving El Cerrito Hills Tracts, applicant shall:

- a. Complete construction of a six-inch water main approximately 1,100 feet in length necessary to connect the applicant's existing water supply main at the intersection of State Street and El Cerrito Road with the water distribution system in El Cerrito Hills Tracts.
- b. File with the Commission a detailed statement setting forth the proposed location, estimated cost and anticipated date of completion of the installation of the six-inch water main approximately 2,100 feet in length necessary to connect the applicant's existing water supply main at or near State Highway 71 with the water distribution system in El Cerrito Hills Tracts.

6. That within ninety days after the transfer from Coronita Mutual Water Company to Corona City Water Company of the water facilities serving Yorba Heights, applicant shall complete construction of a six-inch water main necessary to connect the applicant's existing water supply main at the intersection of 6th Street and Smith Avenue with the water distribution system in Yorba Heights.

7. That on the fifteenth day of the first month after construction is started, as required by above paragraphs 5 and 6, and every thirty days thereafter until completed, applicant shall file with this Commission a written report stating the progress made toward completing the installation of said water mains.

8. That the authorization herein granted will expire if not exercised within 120 days after the effective date hereof.

The effective date of this order shall be December 30, 1955.

Dated at San Francisco, California, this 22nd day of DECEMBER, 1955.

E. Mitchell
Justin F. Adams
Ray W. Lusk
Maudie Pool
R. Hardy
Commissioners