

ORIGINAL

Decision No. 52661

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the SYCAMORE CANYON WATER COMPANY, a)
 California corporation, for a cer-)
 tificate of public convenience and)
 necessity to operate a water system;)
 for a permit to issue and sell its)
 securities; for an interim order to)
 negotiate for sale of its securities;)
 and for authorization to purchase)
 water mains.)

Application No. 35705
 (Amended)

Willard H. Winder, attorney and president,
Eric C. Pepys and John Moore Robinson,
 attorneys, for applicant;
 Highlanders Water Company by James H. Krieger,
 attorney, and Ted Determan, in propria
 persona, interested parties;
James F. Wilson, Charles W. Drake, and
Richard Entwistle, for the Commission staff.

O P I N I O N

Sycamore Canyon Water Company, a corporation, by the above-entitled application filed August 13, 1954, as amended March 3, 1955, seeks a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in unincorporated territory known as University City Unit No. 1 about three miles east of the City of Riverside in Riverside County. Establishment of rates, and authority to issue stock are also sought. The proposed certificated area is delineated by a red line on Exhibit D attached to the amended application.

A public hearing in this matter was held before Examiner Stewart C. Warner on March 3, 1955, at Riverside. Testimony was adduced and evidence was received at this hearing, and the matter was continued to a date to be set, pending the securing and further showing by applicant of an additional and adequate source of water supply.

Adjourned hearings were set for November 2, 3, and 28, 1955, before Commissioner Rex Hardy and Examiner Warner at Riverside. This matter was consolidated with Application No. 37007, John Moore and S. I. Robinson,¹ doing business as La Mirada Water Company, to change its fictitious name to Public Water Company, and for a certificate of public convenience and necessity to construct and operate three separated water systems in Riverside County in the vicinity of Moreno Valley and Box Springs mountains (near Sycamore's proposed area to the east thereof), and Application No. 37069, Highlanders Water Company, a corporation, for a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory east of the City of Riverside in the vicinity of the University of California at Riverside (near Sycamore's proposed certificated area to the northwest thereof). No evidence on the instant application was received at these hearings and the matter was continued to December 28, 1955, at Riverside before Examiner Warner at which time and place evidence in addition to that received on March 3, 1955, was received, and the matter was submitted. No protests were entered and the matter is now ready for decision.

General Information

Applicant filed its Articles of Incorporation with the Secretary of State on May 17, 1954. By said articles applicant is authorized to issue two classes of shares of stock; 1,000 shares of preferred stock with a par value of \$100 per share, and 1,000 shares of common stock with a par value of \$100 per share, for an aggregate par value of \$200,000.

¹ Exhibit No. 5 in the proceeding on Application No. 37007 shows total assets of John Moore Robinson and S. I. Robinson, individuals, to have been \$868,063.81 as of September 30, 1955.

Authority is sought herein to issue 55 shares of common stock to Arthur L. Jacobson, and 570 shares of common stock to Norman A. Jacobson, for a total of 625 shares of an aggregate par value of \$62,500.

Applicant's first directors as stated in its Articles are Norman A. Jacobson, Arthur L. Jacobson and Willard H. Winder, with addresses in Riverside. Mr. Winder is president, Mr. Norman Jacobson, vice-president, and Mr. Arthur Jacobson, secretary-treasurer. Applicant's address is 204 Loring Building, Riverside.

Description of Proposed Certificated Area

The proposed certificated area comprises approximately 65 acres of land which have been subdivided as University City Unit No. 1 by the University City Development Corporation, a California Corporation, which owns approximately 200 acres of land in and surrounding the area to be served by applicant. Said area is adjacent to the southerly boundary of the campus of the new University of California at Riverside across U. S. Highway 60 (State Highway 395). Said corporation has developed 125 lots in the area, and residences have been and are being constructed on certain of said lots. The area is arid and hilly, with views of the City of Riverside approximately three miles to the west.

Sources of Water Supply

The sources of water supply proposed to be acquired by applicant, as adduced by a consulting engineering witness at the December, 1955, hearing, are two wells located in a canyon at the bottom of the proposed service area just within its northerly boundary. Well No. 1 is 12 inches in diameter, 110 feet deep, and contains a jack pump with a production capacity of 18 gallons per minute. Well No. 2 contains a turbine pump driven by a 3-hp electric motor with a production capacity of 57 gallons per minute. The wells are

interconnected. A 7½-hp booster pump, located at the site of Well No. 1, with a production capacity of 74 gallons per minute, discharges water from both wells into a steel storage tank with a capacity of 152,000 gallons, located at an elevation of 270 feet above the booster pump, and 60 feet above the highest point of the proposed service area. Exhibit No. 4 is a pump test by California Electric Power Company dated May 25, 1955. The witness testified that by installing a pump of larger capacity in Well No. 1 its production capacity could be doubled or tripled. The witness testified that the Riverside County minimum requirements for domestic water systems were 300 gallons per customer per day or 1¼ gallons per minute per customer deliverable in four hours. This requirement calculates, for the ultimate 125 customers proposed to be served by applicant, an aggregate of 37,500 gallons per 24-hour period. The presently installed booster pump could supply slightly in excess of 106,000 gallons to the storage reservoir over a 24-hour period. With the reservoir floating on the line, the witness testified that there would be three days' water supply to meet the peak demands of the consumers.

Applicant's witness testified that an additional source of water supply could be obtained by drilling another well and that it was his opinion a productive well could be drilled in the area in which Wells Nos. 1 and 2 are located.

The distribution system proposed to be acquired comprises 6- and 8-inch mains. As of December, 1955, water service was being furnished by the present operator of the system to 12 or 15 consumers.

Rates

Applicant proposes to charge and requests the establishment of the following schedule of general metered service rates. No flat rate or fire hydrant rate is proposed.

GENERAL METERED SERVICE

Monthly Quantity Charge:	Per Meter Per Month
First 3,000 cu.ft. per 100 cu.ft.	\$.35
Next 2,000 cu.ft. per 100 cu.ft.30
Over 5,000 cu.ft. per 100 cu.ft.25
Monthly Minimum Charge:	
For 3/4-inch meter	3.75
For 1-inch meter	5.50
For 1 1/2-inch meter	7.50
For 2-inch meter	11.25
For 3-inch meter	15.00

Financing

As noted hereinbefore, applicant's initial financing is proposed to be through the issuance of common stock to Norman A. and Arthur L. Jacobson for cash and the water system assets.²

Exhibit No. 6 is a schedule of assets to be acquired by applicant in consideration for the issuance of stock to the Jacobsons and a cash payment of about \$920 to applicant. It shows total assets of plant prior to April 20, 1954, of \$58,178.78, plant added since April 20, 1954, of \$2,104.16 plus cash in the amount of \$920.06, and materials and supplies \$1,297 for a total of \$62,500. The related depreciation on said assets as shown in Exhibit No. 6 is \$4,563.96. Total depreciated assets are \$57,936.04.

Applicant's future operations have been underwritten by a letter to the Commission dated January 19, 1956, from John Moore Robinson.

² Exhibit No. 5 is a copy of an agreement dated November 28, 1955, which provides, among other things, for the acquisition of all stock, issued by applicant to the Jacobsons, by Caleasco, Inc., a corporation of which John Moore Robinson, or his family, is a principal stockholder. Robinson testified that when stock had been acquired by Caleasco, Inc., new officers and directors of applicant would be elected. The Robinsons' business address is 650 South Spring Street, Los Angeles 14.

Conclusion

It appears that the sources of water supply available to applicant are adequate to meet the minimum requirements of the proposed system when University City Unit No. 1 has been completely developed, and the 125 homes planned to be constructed therein are occupied. However, these sources do not provide what the Commission considers to be a safe operating margin. Applicant will be required to install pumping equipment both in Well No. 1 and at the booster plant to make available to the storage reservoir a total of at least 100 gallons of water per minute, and to drill and equip a new well to make available an additional source of water supply for standby or emergency purposes.

It appears that the distribution system and storage facilities installed and proposed to be installed are adequate to serve the proposed area.

In view of the somewhat limited sources of water supply in this area available to applicant, the order which follows will provide that applicant shall not extend its water system beyond the limits of the area certificated to applicant by said order without further order of the Commission.

The issuance of stock will be authorized for the acquisition of the depreciated assets totaling \$57,936.04, and the issuance of 580 shares of stock to the Jacobsons will be authorized upon payment by the Jacobsons of an additional cash sum of \$63.96.

Analysis of the classification of water system assets shown on Exhibit No. 6 indicates that said classification should be re-examined by applicant, and that, in recording said assets on applicant's books of account, care should be taken to include each item of water system fixed capital in its proper accounting classification, and in accord with the Uniform System of Accounts for Water Corporations prescribed by the Commission.

The Commission is of the opinion and so finds that public convenience and necessity require that the application be granted. The certificate of public convenience and necessity granted by the order which follows 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 as the consideration for the issuance of such certificate of public convenience and necessity or right.

The schedule of rates proposed by applicant is not in a form satisfactory to the Commission and the authorization for the filing of rates will be conformed to Commission standards.

O R D E R

Application, as amended, having been filed, public hearings having been held, the matter having been submitted and now being ready for decision, based upon the evidence of record and the findings,

IT IS HEREBY ORDERED as follows:

- 1.a. That Sycamore Canyon Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in the area delineated on the map Exhibit D attached to the amended application.
- b. That applicant shall not extend its water system beyond the boundaries of the area certificated by this order without further order of the Commission.
- c. That applicant shall, within ninety days after the system is placed in operation under the rates and rules authorized herein, install pumping equipment in Well No. 1 and at its booster station of sufficient capacity to make available to the storage reservoir a total of at least 100 gallons of water per minute, and shall report to the Commission in writing within ten days thereafter of the completion of the installation.

- d. That applicant shall, within 180 days after the system is placed in operation under the rates and rules authorized herein drill and equip a new well for the purposes outlined hereinbefore, and shall report to the Commission in writing within ten days thereafter of the completion of the drilling of such well.
2. That applicant be, and it is, authorized to file after the effective date hereof, the rates set forth in Appendix A attached to this order to be effective on or before the date service is first rendered to the public, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of 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.
- 3.a. That applicant shall notify this Commission in writing of the date service is first rendered to the public under the rates and rules authorized herein, within thirty days thereafter.
- b. That applicant shall file, within forty days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 300 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 various properties of applicant.
4. That applicant shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.
5. That applicant be and it is authorized to issue 580 shares of common stock of a par value of \$100 per share in the total amount of \$58,000 to Norman A. Jacobson and Arthur L. Jacobson for the purposes indicated in the preceding opinion. The Commission is 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 reasonably chargeable to operating expenses or to income.
6. That applicant shall file with the Commission a report or reports as required by the Commission's

General Order No. 24A, which order, insofar as applicable, is made a part of this order.

- 7. That the authority herein granted will expire if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 21st day of January, 1956.

[Signature]
President

Justin J. Carneal

Ronald [unclear]

[Signature]

[Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as University City Unit No. 1 comprising approximately 65 acres adjacent to Highway 60 in Section 33, T. 2 S., R. 4 W., S. B. B. & M., located 3 miles southeast of the City of Riverside, Riverside County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less	\$ 3.00
Next 2,000 cu.ft., per 100 cu.ft.25
Next 3,000 cu.ft., per 100 cu.ft.20
Over 6,000 cu.ft., per 100 cu.ft.17
 Minimum Charge:	
For 5/8 x 3/4-inch meter	3.00
For 3/4-inch meter	3.75
For 1-inch meter	5.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	25.00

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