

ORIGINAL

Decision No. 52786

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HIGHLANDERS 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, to)
establish rates, and to authorize the)
issuance of stock.)

Application No. 37069
(Amended)

Best, Best & Krieger, attorneys, by James H. Krieger, for applicant.
Water Companies, Water Districts and Associations: Willard H. Winder, attorney and president, and Eric C. Pepys and John Moore Robinson, attorneys for Sycamore Canyon Water Company;
W. V. Pittman in propria persona, and for University Improvement Association; Everett L. Grubb for Western Municipal Water District; John M. Mylne, Jr., for Gage Canal Company; C. M. Brewer for Temescal Water Company; Lindsey F. Doyle for La Cadena Business Men's Association; Robert R. White for Belvedere Springs Mutual Water Company; interested parties.
In Propria Personae: Charles F. Coffee, III, William B. Worden, Herman G. Halverson, William H. Page, Frank Zennpfenig, Robert A. Flock, Martin L. Thomas, L. R. Ferguson, August Cenatiempo, John H. Wingate, D. M. Wilson, Peter Weber, J. R. Walker, Jr., attorney for Joseph Cenatiempo, interested parties.
Charles W. Drake and Richard R. Entwistle, for the Commission staff.

O P I N I O N

Highlanders Water Company,¹ a corporation, by the above-entitled application filed June 23, 1955; as amended October 18, 1955, to increase the proposed service area; as amended October 20, 1955, regarding the proposed stock issue; and as amended November 28, 1955, regarding the proposed service area, the issuance of stock,

¹ Hereinafter referred to as Highlanders, the applicant, or the utility.

and a proposed contract with Riverside Water Company,² a mutual water company, for the purchase of a source of water supply and water, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory, in Riverside County, east of the easterly limits of the City of Riverside and in the general vicinity of the University of California at Riverside as shown on the map Exhibit "J" attached to the Third Amendment to the application.

The establishment of rates for water service, authority to issue stock and unsecured promissory notes, and approval of the proposed contract between Riverside and applicant, attached to the Third Amendment to the application as Exhibit "I", are also sought.

Public hearings in this matter were held before Commissioner Rex Hardy and Examiner Stewart C. Warner on November 2, 3, and 28, 1955, at Riverside. An adjourned hearing in Application No. 35705, Sycamore Canyon Water Company, and original and adjourned hearings in Application No. 37007, John Moore Robinson and S. I. Robinson doing business as La Mirada Water Co., for permission to change their fictitious name to Public Water Company and for a certificate of public convenience and necessity covering three separate areas in unincorporated territory, Riverside County, in Moreno Valley and in the vicinity of the Box Springs mountain, were held on a consolidated record with the instant application, but no evidence in either of the latter two matters was received on the dates heretofore mentioned. They were continued to a date to be set.³

² Hereinafter referred to as Riverside.

³ December 28, 1955.

Several land owners appeared as interested parties to protest the granting of the application for the proposed certificated area insofar as it excluded their land holdings. Sycamore Canyon Water Company protested the granting of any enlargement of the certificated area, and the Robinsons withdrew their application for a certificate covering the area which overlapped a portion of Highlanders' in the south-easterly portion thereof.

General Information

Highlanders filed its Articles of Incorporation with the Secretary of State on June 18, 1955, and amended said Articles reducing the par value of its stock from \$100 per share to \$10 per share on October 7, 1955. By its amended Articles, Highlanders is authorized to issue one class of shares of stock. The total number of said shares is 200,000 with an aggregate par value of \$2,000,000.

Applicant's present place of business is 6718 Magnolia Avenue, Riverside, California. Its officers are Scott Thursby, president, D. R. McMillan, vice president, C. V. Brown, Jr., secretary, and Mabel C. Flood, assistant secretary. The first directors are Messrs. Thursby, McMillan, Brown, Leo T. Thomas, and Ralph Thursby, all with addresses in Riverside and Arlington, California.⁴

Description of Proposed Certificated Area and Area to which Water is Proposed to be Dedicated

Applicant originally requested a certificate covering approximately 256 acres in the vicinity of the Belvedere Heights subdivision. By its First Amendment, it requested an additional

⁴ The record shows that upon the issuance of stock by applicant to Sun Gold, Inc., a subdivision home building company, for certain advances of Sun Gold, two directors will represent Sun Gold, two will represent Riverside, and one will be neutral.

120 acres west of the original area in Section 20, and 177 acres comprising the northeast quarter of Section 31 and 17 adjoining acres in the northwest quarter of Section 32, all in Township 2 South, Range 4 West, SBB&M. This latter 177 acres is known as the La Colina Tract, and is approximately 1-1/2 miles south of the Belvedere Heights Tract. These properties are those proposed to be certificated, and are delineated in green on the map, Exhibit No. 14.

The Belvedere Heights Tract has heretofore been served by Belvedere Springs Mutual Water Company,⁵ and Lemona Heights Mutual Water Company⁶ has also been furnishing water service in this general vicinity. Certain water system properties of Belvedere and 149 shares of Lemona Heights Mutual Water Company are to be acquired by Riverside, together with water system properties of Joseph and Macedonia Cenatiempo, individuals. Applicant proposes to acquire these properties, and other water system properties already installed by Riverside.

The proposed certificated areas include not only residences and properties in the Belvedere Heights and University Heights areas near the new University of California at Riverside, but also include two proposed subdivisions of Sun Gold, Inc., a subdivision home building corporation. Sun Gold proposes to construct some 1,000 homes over a period of approximately five years in its proposed subdivisions; one subdivision to be in the University Heights area, the other in the La Colina Tract hereinbefore referred to.

The area designated by applicant as that area to which water is proposed to be dedicated as distinguished by it from the proposed certificated area, includes some ten square miles. Said proposed dedicated water area is bounded on the west by Chicago Avenue (the Riverside city limits), on the north by Citrus Avenue, on the east by the 1,400-foot elevation contour line (except for higher

⁵ Hereinafter referred to as Belvedere.

⁶ Hereinafter referred to as Lemona Heights.

portions and in the vicinity of Belvedere Heights), and on the south by the southern boundaries of Sections 31 and 32 as shown on Exhibit "J" attached to the Third Amendment to the application, and as delineated in purple on the map, Exhibit No. 14. At the present time, numerous privately owned wells located within this area are being used for strictly local domestic and irrigation purposes for citrus groves and other agricultural uses. Much of the land at higher elevations in the proposed dedicated water area is extremely arid, but the record shows that in view of its proximity to the new University, practically all of it is susceptible for development of highly desirable residential sites if domestic water service were made available thereto. A witness for applicant testified that, in fact, the entire dedicated water area is subject to potential development as high-class University area residential sections. Individual acreages are held by owners amounting to as much as 160 acres.

A witness for Sun Gold, Inc., testified and submitted a map, Exhibit No. 10, to show that the so-called green belt area within the city limits of Riverside, in which the City Planning Commission has placed heavy restrictions on further subdivision development, has been developed almost to its maximum. For that reason Sun Gold was turning to the unincorporated area nearer the University for further subdivision. Another witness for applicant, the former mayor and present president of the Riverside City Board of Public Utilities, testified that it would probably be some time before the proposed dedicated water area, or even the proposed certificated area would be annexed to the City of Riverside, and that the City of Riverside does not, at the present time, consider the extension of its municipally owned water system into any of the areas proposed to be served by applicant.

Description of Proposed Water System

As noted, Riverside has purchased and is operating water systems in the Belvedere Heights and Lemona Heights areas. These

water systems comprise some 8,600 feet of 6-, 8- and 10-inch steel pipe most of which is old, and 3,400 feet of 12-inch steel pipe installed in 1955 by Riverside. An upper, a lower (Blaine Street), and a Canyon reservoir of 30,000-, 500,000- and 300,000-gallons capacity, respectively, are located at elevations in and above Belvedere Heights. These are filled with water pumped from the so-called Lemona Heights well, in which is installed a pump with a 60-horsepower motor, which produces approximately 640 gallons per minute. A 75-horsepower booster pump, a 25-horsepower booster pump, and a 20,000-gallon storage tank are also installed on these systems, which have been interconnected by Riverside.

It is these systems which Highlanders proposes to acquire from Riverside. Their aggregate original cost, including overhead and the new installations by Riverside, has been determined by a staff engineer to be the sum of \$84,380 for the Belvedere and Cenatiempo systems, and \$32,046 for Lemona (Exhibit No. 15). In said exhibit depreciation reserve requirements as of June 30, 1955, amounting to \$8,681 for Belvedere and Cenatiempo, and \$7,690 for Lemona were shown. The figures shown for Lemona reflect the original costs covered by the full 190 shares of Lemona stock outstanding. As Highlanders proposes to acquire only 149 of these shares, its equity in this water system would be \$19,100. Included in the above are the Cenatiempo and Belvedere properties having a depreciated original cost of \$47,775 which were acquired by Riverside at no cost to it. The record shows that the Belvedere, Lemona Heights and Cenatiempo systems were all "going and operating" systems, and were acquired by Riverside from corporations and a person none of whom has been heretofore subjected to the jurisdiction of this Commission. This is not a situation which lends itself to the application of the customary rule of the Commission regarding donations of property by customers to a utility. Our determination on this point is not, however, to be taken as a precedent in other cases, but necessarily rests upon the circumstances before us. This Commission has adopted

the depreciated historical cost principle for rate bases, and is of the opinion and hereby finds that the sum of \$94,799 is the reasonable and proper sum, which will be and hereby is adopted as the depreciated historical cost of the water system properties to be acquired by applicant from Riverside. It appears that for approximately the past year Riverside may have been operating a water system (those properties acquired from Belvedere and from Cenatiempo, in addition to its own plant additions in the form of interconnections) of the kind and character as defined in Section 241 of the Public Utilities Code, and therefore may have become subject to the provisions of Section 2701 of said Code.

The staff report indicates that for 1956 there will be approximately 40 existing consumers, and 350 new consumers in the Sun Gold subdivision using water for an average of three months, with total domestic revenue for 1956 estimated at \$12,000 at applicant's proposed rates.

Applicant plans to supplement its source of water supply from the Lemona Heights well by the purchase of water from Riverside on a stock equivalent basis in accordance with the terms of the proposed contract, Exhibit "I" hereinbefore referred to. This water will be supplied by Riverside to applicant from the former's Cunningham well located about 2-1/2 miles northwest of the proposed certificated area and outside the so-called proposed dedicated water area and within the Riverside city limits. According to the evidence, the presently installed pumping plant capacity of said well, to be made available to applicant, is in excess of 3,000 gallons per minute. From this well applicant proposes to run a 16-inch transmission main easterly, southerly, and easterly to the Lemona Heights well. Applicant proposes to install 14-, 10-, and 8-inch mains from the Lemona Heights well location easterly and upward into the Blaine Street and Canyon reservoirs. The difference between the elevation of the Cunningham well and the Canyon reservoir is approximately 700 feet. Applicant further proposes to install a 14-inch transmission main southerly on Canyon Crest Drive from Linden Street to serve the proposed Sun Gold subdivision in the

La Colina Tract. The locations of these proposed installations are shown on the map, Exhibit No. 1. Riverside proposes to furnish an emergency or standby source of water supply to applicant from the former's First Street well which is located about one-half mile southwest of the Cunningham well. The production capacity of said First Street well is also in the neighborhood of 3,000 gallons per minute. The use of this well is provided for in the contract, Exhibit "I", but its use would require the installation by applicant of a transmission main therefrom to its 16-inch transmission main hereinbefore referred to.

Proposed Contract with Riverside (Exhibit "I")

Highlanders' proposed contract for the purchase of water from Riverside, Exhibit "I" attached to the Third Amendment to the application, provides that: Riverside shall sell and deliver to Highlanders amounts of water not to exceed 100 miner's inches⁷ of constant flow; the consideration for the execution and delivery of the contract is \$70,000, represented by \$55,000 cash, plus 1,500 shares of Highlanders' capital stock at par value of \$10 per share, paid and issued to Riverside; the quantity price per inch-day of water delivered to Highlanders will be the rate per inch-day as determined by Riverside's Board of Directors to be in effect during each month and at the rate fixed by Riverside applicable to all of its stockholders and consumers of water; the annual consideration

⁷ All references to "miner's inches" herein relate to Southern California miner's inches, i.e., 1/50th of 1 cubic foot per second.

for the water includes an amount equal to the uniform stock assessment applicable to Riverside stockholders generally on 1,200 shares of Riverside stock; no Riverside stock will be transferred to or vested in Highlanders in connection with the contract.

Also, under the proposed contract, Highlanders would have the privilege of having its "inch rights" transmitted into shares of Riverside stock at the rate of 12 shares for each inch of water, subject to the approval of the Corporation Commission of the State of California, upon the happening of any of the following events:

(a) Condemnation of all or substantially all of Riverside's properties through eminent domain proceedings.

(b) In the event Riverside is adjudicated a bankrupt.

(c) In the event Riverside sells or transfers all or substantially all of its assets to another company.

Riverside agrees to make available the 100 miner's inches of water from its Cunningham well and from the emergency or stand-by source known as the First Street well.

Riverside also agrees to make available to Highlanders the right to receive an additional 200 miner's inches of water, if and when available, extending to Highlanders the right of first refusal of such water. The consideration therefor will be on substantially the same conditions and terms as the right to receive the first 100 inches, except that Riverside will accept

the consideration of \$700 per inch in terms of unsecured promissory notes of Highlanders due on or before ten years from the date of issuance, and bearing interest at five percent per annum.

The quantity delivery rate for Riverside's water has been 15 cents and 18 cents within the last five years, and is now 21 cents per miner's inch day. The annual assessment on Riverside's stock was \$6.00 per share in 1954.

Proposed Financing

Applicant, in its Third Amendment to the application, proposes to issue the following securities:

(a) 12,700 shares of its capital stock to Sun Gold, Inc., for cash, in the amount of \$127,000; and

(b) Unsecured, five percent, 10-year promissory notes to Sun Gold, Inc., for cash, in the amount of \$123,000.

These two security issues will produce a total of \$250,000 in cash.

The proceeds of these two issues are proposed to be used as follows:

(1) Initial payment of the 100-inch contract	\$55,000
(2) Monies required for construction of Cunningham well and Canyon Crest lines, and other construction, materials and material costs, as set forth in applicant's pro forma statement for the years from 1955 through 1962 covering the water system installations for the two Sun Gold sub-divisions with 2,076 ultimate consumers (Exhibit No. 5)	\$185,000
(3) Working capital	<u>\$ 10,000</u>
Total	\$250,000

(c) 12,700 shares of capital stock in the amount of \$127,000 to Riverside Water Company in exchange for all of the assets being transferred and conveyed to applicant by Riverside as set out in Exhibit "C" attached to the original application, plus 15/70's of the original cost of the right to receive water from Riverside under the contract, Exhibit "I".

(d) Upon supplemental application, further unsecured five percent 10-year promissory notes totaling \$140,000 in favor of Riverside in exchange for water contracts with Riverside covering the right to receive the supplementary 200 inches.

Rates

Exhibit "G" attached to the application sets forth applicant's proposed rates for general metered service as follows:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu. ft. or less	\$3.00
Next 4,000 cu. ft., per 100 cu. ft. ..	.25
Next 5,000 cu. ft., per 100 cu. ft. ..	.10
Over 10,000 cu. ft., per 100 cu. ft. ..	.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 1-inch meter	6.00
For 1 1/2-inch meter	8.50
For 2-inch meter	11.00

Under the proposed rates the charge for water usage of 1,500 cubic feet would be \$4.25 per month.

Other Evidence of Record

Applicant's consulting engineering witness, who is also Riverside's general manager, submitted maps of the proposed service areas, and existing and proposed water system installations by

Exhibits Nos. 1, 7, 13 and 14. Exhibit No. 14 shows the proposed certificated area in shaded green and the proposed dedicated water area boundaries by a purple outline, the location of the sources of water supply, reservoirs, and sizes of transmission mains. This witness also submitted as Exhibit No. 3, a detailed report on Highlanders' water system, describing the area to be served, the water supply, the water requirements, the quantity of water, the water system design of the water production facilities, the distribution and transmission system, the reservoirs, and a valuation of the Highlanders Water Company's water system. This report contained the general statement that the pipe line diameters, reservoir capacity, and water production facilities of Highlanders would be more than adequate during the early years of operation of the company, particularly inasmuch as applicant has the right to purchase water when required from Riverside. His appraisal of the value of the Highlanders' system included in said report was \$118,465.22, plus fifteen percent for engineering and legal expense in the formation of Highlanders of \$17,769.78, resulting in a total value of \$136,235, detailed as follows: new construction \$27,309, Lemona Heights \$21,274.22,⁸ Cenatiempo system \$63,199, and Belvedere \$6,683.

⁸ Includes 7 shares of East Riverside Water Company stock at \$275 per share.

Exhibit No. 4 is a water supply report for Highlanders submitted by the witness. This report shows that Riverside's sources of water supply comprise 30 pumping stations and 25 artesian wells. According to this exhibit and supporting and supplementary testimony, applicant could expect to receive 715,760 gallons per day from the Lemona Heights well. This, together with the usage of the Canyon and Lower reservoirs, would accomplish an estimated peak flow of 800 gallons per minute.

It was the witness' opinion that the Riverside Basin in which Riverside's Cunningham well is located is not overdrawn. The entitlement to Highlanders of 100 inches or 900 gallons per minute from Riverside, plus the Lemona Heights well availability, would provide, initially, in excess of 1,700 gallons per minute of total water supply. The witness concluded that the various water supplies to be acquired by Highlanders are entirely adequate, and that the water basin from which these supplies are to be drawn is one of the best basins in Southern California.

Exhibit No. 5 is a projection by the witness of applicant's capital, income, and expense for the years 1955 through 1962.

Exhibits Nos. 11 and 11-A are chemical and bacteriological analyses of water taken from the Cunningham well on October 17, 1955. They show, among other things, total hardness of 364 parts per million and some coliform bacteria. Exhibits Nos. 12 and 12-A are bacteriological and chemical analyses of water taken from the Lemona plant. They show some coliform bacteria and total hardness of 248 parts per million. These exhibits show that it will be necessary to chlorinate the water from both wells in order to meet Health Department requirements for domestic service. While the water from the Cunningham well may be harder than usually acceptable for domestic use, such hardness may be reduced when blended with the Lemona Heights well water.

Considerable evidence was introduced with respect to projected rate bases, including and excluding the value of the water contract in amounts of \$70,000 (100 inches), \$140,000 (200 inches) and \$210,000 (300 inches) over the period 1955 through 1962, and projected operating revenues and expenses.

The staff, in its Exhibit No. 15, estimated the cost to Riverside of supplying water from the Cunningham well⁹ for the year 1962 would be \$5,590, and also estimated that applicant's cost for this same water would be \$30,306, under the proposed contract, Exhibit "I".

Applicant included a total payroll expense for the year 1962 of \$32,324, and outside professional service expense of \$5,300, all of which was proposed to be charged to operating expense. The staff witness estimated that of the \$32,324 payroll expense, \$10,000 thereof should be capitalized, and that \$1,500 would be a reasonable amount for outside services for the year.

Protests of Property Owners to Proposed
Certificated Area Boundaries

Many property owners protested applicant's proposed certificated area boundaries which include the Belvedere Springs and Sun Gold properties only. They indicated that their properties would be without available water service if the certificated area was so limited. The record shows that, although there are many private wells within the proposed dedicated water area, their use for domestic purposes outside of their respective service properties might be contested before the courts in subsequent water rights litigation.

⁹ Evidence was presented that the Cunningham well was not available for purchase by applicant. No evidence as to its purchase price was presented.

Considerable evidence was introduced regarding the availability of Metropolitan Water District water to the area and the record shows that although the Western Municipal Water District of Riverside County has been incorporated as a political subdivision to include the cities of Riverside, Corona, Elsinore and surrounding lands as members of the Metropolitan Water District, the cost of building transmission facilities and importing water was estimated to be in excess of \$5,000,000. Such costs would necessitate the issuance of district bonds for which no authorization election has as yet been noticed.

Conclusion

It is evident, and the Commission so finds, that public convenience and necessity require that Highlanders Water Company, a corporation, be granted a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory east of the easterly limits of the City of Riverside comprising some 256 acres in the vicinity of Belvedere Heights and shown on Map No. 1 attached to the original application filed on June 23, 1955. The applicant may request additional area as additional sources of water supply are obtained on a reasonable basis. A certificate will be granted subject to applicant acquiring adequate standby water supply.

The sources of water supply to serve the area requested to be certificated are those made available by ownership of stock in the Lemona Heights Mutual Water Company and the water contract offered by the Riverside Water Company. Since Riverside will sell water to Highlanders only under the conditions specified in the contract, which is not being approved by the Commission, it is

concluded the only source of water for Highlanders at this time is from the Lemona well. This limited supply is capable of providing water service for the 256 acres only, as requested in the original application, and in itself is not adequate unless supplemented with additional standby sources.

The contract price of \$700 per miner's inch for obtaining the right to water from Riverside is not supported in the record,¹⁰ and applicant should request Riverside to make revenue, expense and rate base analyses of its properties to substantiate a reasonable charge therefor. Pending further action by the Commission no determination of the reasonableness of such price will be made. Neither will the Commission approve the contract Exhibit "I", nor will it authorize the issuance of stock covering the purchase price therein specified. The issuance of stock authorized hereinafter will cover only the cost of the purchase and acquisition of water system properties from Riverside outlined hereinbefore in the sum of \$94,799, plus an amount of \$5,000 as reasonable organization expenditures and \$3,201 as working capital, or a total of \$103,000.

~~In the circumstances, the promissory note to Sun Gold will not be authorized.~~ *PJM*

¹⁰ Among other things the record shows that Riverside carries its water rights on its books at a value of \$1.00. The record also shows that Riverside has four contracts with other mutual companies with stock equivalent provisions of six shares to one, and with California Electric Power Company, a public utility electric corporation under the jurisdiction of the Commission, with a stock equivalent of ten shares to one. As noted hereinbefore, applicant's stock equivalent would be twelve shares to one. Such stock equivalents affect not only the purchase price of the right to receive water, but also the total annual stock assessment applicable thereto. Such annual stock assessment in turn affects the gross annual cost of the water purchased.

By supplemental application Highlanders may seek authority to issue additional shares of stock or notes in reasonable amounts necessary to acquire additional sources of water supply or to meet additional requirements of its water system.

In granting the certificate of public convenience and necessity herein it is not to be understood that this Commission is approving the rate for water proposed to be purchased from Riverside nor the salaries proposed to be paid.

The staff Exhibit No. 15-A showed a rate of return in the fifth and seventh years of 14.6%. The difference in the rate base, and consequently the rate of return, of applicant and staff is due basically to applicant's capitalization of the proposed water contract to be denied in the order which follows. It is evident that applicant's proposed rates will be excessive, and the order will authorize appropriate rates.

Since it appears that Riverside's operations may be such as to constitute it a "water corporation" as defined by Sections 241 and 2701 of the Public Utilities Code, the Commission will give consideration to instituting on its own motion an investigation into the status, operations, practices, contracts, rules, charges and service of Riverside Water Company, a corporation.

The certificate of public convenience and necessity granted hereinafter 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.

O R D E R

Application as amended as above entitled having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Highlanders Water Company, a corporation, be and it hereby is granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area cross-hatched on Map No. 1 attached to the original application filed June 23, 1955, subject to the following condition:

That applicant shall, within ninety days after the effective date of this order, acquire additional sources of water supply to provide standby water in an amount not less than 600 gallons per minute on a reasonable basis, and within five days thereafter shall notify this Commission in writing of said acquisition.

IT IS HEREBY FURTHER ORDERED as follows:

1. That applicant shall not make extensions into territory lying outside of the boundaries of the areas herein being certificated without authority first having been obtained from this Commission.
2. That applicant be, and it is, authorized to file after the effective date of this order 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. 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 shall set up on its books the plant accounts and reserve requirements as of June 30, 1955, of the properties of Belvedere Springs Mutual Water Company, Genatiempo Water System and the amount for 149 shares of Lemona Heights Mutual Water Company stock substantially as indicated as being adopted in the opinion hereinabove. Within sixty days after the effective date of this order applicant shall submit to this Commission in writing a copy of the journal entries showing the acquisition of the above-mentioned properties.
6. That applicant's request for approval of the water purchase contract with Riverside, Exhibit "I" attached to the Third Amendment to the application, be and is denied without prejudice.
7. That applicant be and it is authorized to issue 10,300 shares of stock in the amount of \$103,000 (par value) to Riverside Water Company for conveyance of the water systems referred to, for the payment of organization expenses and for cash. 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.
8. 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.
9. That the authorities herein granted will lapse if not exercised within ninety days from the effective date hereof.

IT IS HEREBY FURTHER ORDERED that the application of Highlanders Water Company as amended, except as specifically herein granted, be and it is denied without prejudice.

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

Dated at San Francisco, California, this 6th day of March, 1956.

Edw. E. Mitchell
President

Justin J. Casella

Raymond A. ...

Wm. J. ...

E. Hardy
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In unincorporated territory east of Riverside, Riverside County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 2.50
Next 4,000 cu.ft., per 100 cu.ft.....	.20
Next 5,000 cu.ft., per 100 cu.ft.....	.15
Over 10,000 cu.ft., per 100 cu.ft.....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 1-inch meter	5.00
For 1-1/2-inch meter	8.50
For 2-inch meter	11.00

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