

ORIGINAL

Decision No. 53451

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 RANCHO RAMON WATER CO. for certifi-)
 cates of public convenience and)
 necessity to serve domestic water)
 in the North Palm Springs, Thousand)
 Palms, Cathedral City, Indio and)
 Palm Springs areas, and for estab-)
 lishment of rates thereunder, and)
 to issue and sell debentures.)

Application No. 37389
 Amended

Eric C. Pepys, attorney, for applicant;
Charles W. Drake and Richard R. Entwistle,
 for the Commission staff.

SECOND INTERIM OPINION

By Decision No. 52621, dated February 14, 1956, applicant was granted a certificate of public convenience and necessity covering area "J",⁽¹⁾ and was authorized and directed to charge its presently filed schedule of rates for water service in said area.

The above-entitled application was filed October 10, 1955, amended January 6, 1956, to include two additional areas, amended March 6, 1956, to include an additional area, and amended April 2, 1956, to exclude areas "A" and "Q" as contained in the original application and area "J" covered by Decision No. 52621. The application filed in its corrected and final form, as contained in the third amendment, covers areas "B" through "Z" and "AA" and "BB", except "J" and "Q". The map, Exhibit No. 20, filed at the hearing, shows the locations of all areas for which a certificate of public convenience and necessity is applied for except area "Z", the location of which is shown on Exhibit No. 63. Applicant now proposes through the issuance of debentures or stock to, in some instances, acquire certain water systems and, in other instances, construct and operate

(1) Located about 4 miles northwest of the City of Indio.

public utility water systems in 25 areas excluding the areas covered by prior decisions and excluding the area "Q", all in unincorporated territory in the general vicinity of Palm Springs, Indio, Morongo Valley and Twentynine Palms.

Public hearings on areas "E", "K", "W", "X", "Y", "Z" and "BB" were held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on March 21 and 22, 1956, at Palm Springs. Said hearings were limited to testimony on applicant's request for a certificate of public convenience and necessity covering said areas and its proposed financing of the water system acquisitions and installations in said areas. No testimony regarding proposed rates for water service was adduced or received. The matter was continued to a date to be set for the receipt of such evidence and for the receipt of evidence regarding the proposed financing of other areas. There were no protests to the granting of the application.

Applicant was granted a certificate of public convenience and necessity to construct and operate a public utility water system in Rancho Ramon Tracts Nos. 1, 2, 3 and 4, Riverside County, by Decision No. 48421, dated March 30, 1953, in Application No. 34028. Applicant was authorized to issue \$25,000 in stock, of which \$16,000 had been issued as of February 23, 1954. The authority for issuance of the balance of \$9,000 expired on February 28, 1954. Rates for water service were established by said decision. Applicant has no consumers in its originally certificated area.

As shown on the map, Exhibit No. 20, area "L" is contiguous to applicant's service area on the north; areas "C", "M" and "B" are contiguous to applicant's service area on the south; and area "D" is contiguous to area "B" on the southeast. These areas are located north and south of Ramon Road about 1 mile east of Palm Springs airport.

Area "F" is contiguous to area "E" on the west; area "I" is contiguous to area "E" on the northeast; area "G" is contiguous to area "I" on the south; area "H" is contiguous to area "G" on the southeast; area "AA" is adjacent to area "H" on the southwest; and area "K" is contiguous to area "H" on the northeast. These areas are in the vicinity of Shangri La Palms and Thousand Palms north and south of Palms Canyon Road.

Areas "W", "X" and "Y" are located in the vicinity of Desert Hot Springs. Area "V" is contiguous to area "W" on the west; area "S" is contiguous to area "W" on the northwest; area "T" is contiguous to area "S" on the north; and areas "U", "N" and "O" are in the vicinity of but not contiguous or adjacent to areas "W", "X" and "Y" on the north and northeast.

Area "Q" is located on the west side of Indian Avenue about 1 mile north of Palm Springs. The application respecting this area has been withdrawn.

Area "BB", so-called Sterling Tract No. 1, is located on the southwest side of State highway No. 111 about 5 miles northwest of the City of Palm Springs.

Area "P" is located north of U. S. Highway No. 99 about midway between Edom and Indio.

By Decision No. 52479, dated January 16, 1956, in Application No. 37452, applicant was authorized to acquire the water system assets of C. C. Covey and Mayme J. Covey, dba Garnet Garden Water Company. The Covey water system is referred to in the instant application as area "A" and is located just north of Garnet on the east and west sides of Indian Avenue at 17th Avenue north of U. S. highway No. 99.

Area "J", hereinbefore referred to, is located about 4 miles northwest of the City of Indio.

Area "Z" is located in Paradise Valley about midway between Yucca Valley and Joshua Tree on the north side of Twentynine Palms highway.

Each of the areas discussed hereinbefore includes an area in which applicant has installed a water system at the request of a subdivider, has acquired an existing water system from a mutual water company, an individual or a group of individuals, or has received a request from a subdivider for a proposed water system installation. The areas concerning which testimony and evidence were received at the March, 1956, hearings are discussed as follows:

Area "E"

On September 16, 1955, applicant acquired the water system in area "E" of Shangri La Palms Water Company, a mutual water company, through the issuance of a note in the amount of \$80,000 due _____ September 16, 1956. In exchange for the note outstanding, applicant proposes to issue a debenture, dated November 1, 1956, the form of which was introduced as Exhibit No. 26, in the principal amount of \$80,000. Said debenture will be for a period of 20 years and will bear interest of 1 per cent per annum on the unpaid balance. It will be payable in a sum equal to 22 per cent of the estimated annual revenue from each bona fide consumer connected directly to the presently existing water mains of Shangri La Palms Water Company. It will be transferable and redeemable at any time at the option of the obliger company, at par plus accrued interest to date of redemption.

Exhibit No. 21 is a map showing the location of area "E", which is a portion of the W $\frac{1}{2}$ of Sec. 17 and the E $\frac{1}{2}$ of Sec. 18, T.4 S., R.6 E., comprising 250 acres. The area includes Units Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9 of Shangri La Palms.

The water system acquired includes distribution mains, service connections, fire hydrants, valves, a storage tank a

hydropneumatic pressure tank, 2 booster pumps, a deep well with bowls and motor, a well house, and an office building.

The Shangri La well to be acquired was drilled in 1928, is 545 feet deep, has a 16-inch casing, and its capacity has been tested to be at least 464 gallons per minute. Water is discharged from the well into a large tank, from which a new 7½-hp and an old 5-hp booster pump pump water to a hydropneumatic tank which maintains system pressures of between 30 and 40 pounds per square inch.

At the present time water service is being furnished to 119 consumers in area "E", and it is estimated that 150 new consumers will be added within a year and that additional consumers will be added at the rate of 20 to 25 consumers per year. There are 800 lots in the 9 units.

An additional source of water supply is obtainable from the so-called Wallace well in area "F" in the Thousand Palms system, at the intersection of U. S. Highway No. 99 and Ramon Road, through a 6-inch pipeline from said well to Shangri La Palms. This well was drilled in 1948, is 460 feet deep, has a 12-inch casing and a tested capacity of 391 gallons per minute. Water service is being furnished to 18 consumers in area "F" by the Thousand Palms Mutual Water Association. Applicant has offered to acquire the water system of said Association for \$8,000.

Another source of water supply is obtainable from the so-called Welcome well. This well was drilled in 1955, is 400 feet deep, has a 10-inch casing and a tested capacity of approximately 408 gallons per minute. The water from this well is discharged into a steel tank from which 1 booster pump discharges into a hydropneumatic tank.

Total production capacity of the 3 wells in area "E" and the immediate vicinity is 1200 gallons per minute, and booster capacity is between 350 to 400 gallons per minute. The locations of

the wells, tanks and distribution mains, and the sizes of the latter, are shown on the maps, Exhibits Nos. 27, 28 and 28A.

Exhibit No. 23 is a copy of an agreement dated September 15, 1955, for the sale by the mutual and purchase by applicant of the mutual's water system. Exhibit No. 24 is a copy of the deed dated October 5, 1955, granted by the mutual to applicant for the well site in Shangri La Palms, Unit No. 1.

Exhibit No. 25 is a statement of financial condition as of October 21, 1954, of the mutual water company, which shows the stated value of the land and well to be \$23,565, and the water equipment to be \$116,540, with a related depreciation reserve of \$10,671.50.

Exhibit No. 30 is a copy of a Water Supply Permit of the State Department of Public Health dated February 26, 1951, granted to Shangri La Palms Water Company.

It appears that the sources of water supply, storage and pumping facilities, and distribution mains installed and proposed to be installed are adequate to serve area "E", and area "F" if and when applicant acquires the water system in said area.

Under the circumstances the request to issue debentures in exchange for applicant's notes for the acquisition of the Shangri La Palms water system properties appears to be reasonable and will be authorized hereinafter.

Area "K"

Applicant has acquired the water system previously owned by Charles F. Doyle and formerly leased to Hidden Springs Ranch Mutual Water Company, in area "K". The mutual company's service area comprised the N $\frac{1}{2}$ of Sec. 22, the S $\frac{1}{2}$ of the S $\frac{1}{2}$ of Sec. 14, all of Sec. 15, and the N $\frac{1}{2}$ of Sec. 16, T.4 S., R. 6 E., totaling 1,440 acres. Applicant's area "K" comprises 260 acres of the mutual company's service area about 2 miles east of area "E" along Ramon Road.

Although applicant has requested certification of the entire 1,440 acres, the showing on the record with respect thereto is incomplete since the evidence and testimony relate to area "K" only. Applicant's president testified that applicant would extend its water system into the mutual company's service area according to applicant's rules and regulations, and would consider itself so obligated. Area "K" has been divided into 104 parcels already sold and 108 parcels to be sold. One fourth of the parcels are leaseholds. Water service is being furnished to 21 consumers and a club. Three houses are under construction. The witness Doyle testified that he expected to construct and sell approximately 200 homes within 2 years of which 100 would be on leaseholds. Said houses would have about 480 square feet of floor space.

Applicant has issued a promissory note due September 16, 1956, in the amount of \$29,403.20 for the water system properties and proposes to exchange 294 shares of its capital common stock of a par value of \$100 per share for said note. The exchange of stock for the note has been agreed to by Doyle.

The water system to be acquired includes 2 wells, a storage reservoir, 2 booster tanks, a hydropneumatic tank, mains and valves.

In addition, applicant has acquired a one-half interest in the water rights of Thousand Palms Canyon and a one-half interest in a concrete pipeline $1\frac{1}{2}$ miles in length from Thousand Palms Canyon to area "K".

A well designated as Well No. 26, the location of which is shown on the map, Exhibit No. 31, was drilled in 1955 to a depth of 300 feet, has a 12-inch casing, and the 3.3-hp pump installed in said well will produce 42 gallons per minute. Another well designated as Well No. 25, the location of which is also shown on Exhibit No. 31,

was tested in 1946 for a production of 267 gallons per minute. This well is 328 feet in depth and has a 12-inch casing. The presently installed pumping equipment will produce approximately 174 gallons per minute.

Applicant's engineering witness testified that it would be necessary to chlorinate the water flow from Thousand Palms Canyon and to provide storage in order feasibly to utilize said flow. For that reason the water rights were secured only for standby purposes and for future use.

Exhibit No. 44 is a Water Supply Permit issued by the State Department of Public Health dated July 27, 1953, to Hidden Springs Ranch Mutual Water Company, covering Well No. 25 and the water system.

Exhibits Nos. 32, 33, 34 and 35 are conveyances of the water system properties and interest in the water rights by Doyle to applicant dated September 16, 1955, October 31, 1955, and November 15, 1955. Exhibit No. 36 is a cancellation of lease agreement dated November 5, 1955, between the mutual water company and applicant.

From a review of the record it appears that the sources of water supply, storage facilities and distribution pipelines installed and proposed to be installed are adequate to serve area "K".

Areas "W", "X" and "Y"

Applicant has acquired from Sunny Sands Estate, Inc., the water system assets of Sunny Sands Water Company located in area "W", which is a portion of the SE $\frac{1}{4}$ of Sec. 35, T.2 S, R.4 E. In this area, 2 houses are under construction and it is estimated that 20 additional houses will be constructed within a year. This area is known as Sunny Sands Estates, Unit No. 3. Area "X" is adjacent to area "W" on the southeast, is known as Sunny Sands Estates, Unit No. 5, comprising 56 parcels in 160 acres designated as the NW $\frac{1}{4}$ of Sec. 1, T.3 S., R.4 E. Area "Y" comprises 41 parcels of 160 acres designated

as the SE½ of Sec. 1, T.3 S., R.4 E. immediately southeast of area "X". No home construction or water system installation has been performed in either areas "X" or "Y".

The water system which applicant has acquired in area "W" includes a well, well site, pump, pressure tank 4-, 5½- and 6-inch pipelines and fire hydrants. The well, designated as Well No. 3, was tested on April 18, 1955, and with the 40-hp pump installed therein produces 192 gallons per minute.

Applicant proposes to issue 343 shares of its capital common stock of a par value of \$100 a share and for a total amount of \$34,300 plus \$69.82 cash to Sunny Sands Estates, Inc., for the water system in area "W" as shown in Exhibit No. 49.

Exhibits Nos. 45, 46, 47 and 48 are maps showing the general locations of "W", "X" and "Y", the locations of the wells in the vicinity (including applicant's service area and the former Garnet Garden system), and subdivision maps of the areas.

Exhibits Nos. 50 and 51 are documents of conveyance of the well site and water system properties by Sunny Sands Estates, Inc., by Samuel Krantz and Mollie Krantz, to applicant. Exhibit No. 52 is a statement of the costs of the water well and the water system as of September 21, 1955. Exhibit No. 53 is a well test covering Well No. 3 by California Electric Power Company dated April 18, 1955. Exhibit No. 54 is a description of Sunny Sands Well No. 3 in area "W", and Exhibit No. 55 is a Water Supply Permit issued by the State Department of Public Health to Sunny Sands Water Company, dated October 14, 1955.

The record shows that applicant proposes to acquire an additional well south of area "Y" known as Well No. 2, Desert Ranchitos. This well has a production capacity of 200 gallons per minute and it is to be acquired for \$1,875. Said acquisition is not

covered in this phase of the instant application. The record also shows that applicant owns or proposes to acquire several other wells in the vicinity of area "W", "X", and "Y" to serve areas "A", "V", "S" and "T", and possibly "U", "N" and "O", all north of U. S. Highway No. 99 between Garnet and Desert Hot Springs.

From a review of the record it appears that the sources of water supply, storage facilities, and the distribution pipelines installed and proposed to be installed are adequate to serve areas "W", "X" and "Y".

Area "BB"

Applicant has received a request for water service from Home Way Development Company, subdividers of Sterling Subdivision No. 1 located about 5 miles northwest of Palm Springs (about 1-2/10 miles northwest of the city limits) on State Highway No. 111. The area has been designated as applicant's area "BB" and is a portion of Lots 1 and 2, Sec. 30, T.3 S., R.4 E., and comprises 104 lots in 26 acres. Exhibit No. 56 is a map of the subdivision showing the location of the well and the water system installations.

The subdivider has processed 5 applications to build homes; has received a total of 65 applications; and intends to build homes at the rate of 10 at a time.

Exhibit No. 60 is a copy of an agreement dated March 16, 1956, between Home Way Development Company and applicant for the sale of the water system facilities. Said exhibit was modified by a supplemental understanding dated March 27, 1956, to reduce the originally agreed upon price of \$57,770.30 for the water system facilities to \$56,881.09 for which applicant proposes to issue 568 shares of its capital stock of a par value of \$100 per share, and pay an additional \$81.09 in cash. Applicant's president indicated that he intended

to repurchase the stock on the basis of \$150 for each house completed until 1976, or until such time prior thereto as all stock had been repurchased.

The source of water supply for this area is a 20-inch well, drilled to a depth of 750 feet, which was tested on February 23, 1955, to produce at least 1,800 gallons of water per minute. A test performed March 19, 1956, by California Electric Power Company, as shown in Exhibit No. 62, shows a production of 462.3 gallons per minute with the pump used and operating at 59 per cent efficiency. Water from the well is discharged into a 1,600-barrel tank and boosted into a 10,000-gallon pressure tank. It is distributed throughout the system in 12-, 10-, 6- and 4-inch mains. The record shows that applicant intends to integrate its area "BB" with its other operative units in order to provide alternate sources of water supply and for the purpose of providing more economical operation of the water system in said area and its other areas.

From a review of the record it appears that the source of water supply, the storage facilities and the distribution pipelines installed and proposed to be installed are adequate to serve area "BB".

The record shows in Exhibit No. 57 that the original cost of the pump and tank was \$16,430.84; that on February 7, 1956, Home Way Development Company paid \$5,934.84 on account to Wintroath Pumps, leaving a balance of \$10,496 covered by a note due December 1, 1956, bearing interest at 6 per cent per annum from December 15, 1955. Applicant and the seller Sterling of Home Way agreed on the record that the stock covering the unpaid balance of this indebtedness should be placed in escrow to Home Way Development Company until such indebtedness has been liquidated.

Area "Z"

Applicant has acquired the domestic water system of Paradise Mutual Water Co. located in Sec. 29, T.1 N., R.6 E., in Morongo Valley about midway between Yucca Valley and Joshua Tree on the Morongo Valley-Twenty-nine Palms highway, San Bernardino County. The area is more specifically delineated as the E $\frac{1}{2}$ and $\frac{3}{4}$ of the SW $\frac{1}{4}$ of Sec. 29 and comprises between 425 and 430 acres. At the present time water service is being furnished to 38 consumers, plus 15 houses on government 5-acre lots. It is estimated that between 10 and 15 houses will be added each year over the next 5 years. Exhibit No. 63 is a map showing the general location of the service area, and Exhibit No. 64 is a map showing in detail the water system installations.

Exhibit No. 65 is a copy of a supplemental agreement, dated March 27, 1956, between Paradise Valley Mutual Water Co. and applicant for the sale and purchase of the water system for \$41,717.87. Said agreement provides that applicant shall issue to the mutual, 417 shares of applicant's capital stock to discharge the entirety of the liability of applicant to the mutual. Exhibit No. 66 is a copy of a corporation grant deed, dated January 30, 1956, by Kranshire Realty and Investment Company to applicant for 2 well sites. Exhibit No. 67 is a copy of a bill of sale, dated November 21, 1955, by the mutual company to applicant.

The water system acquired by applicant includes all assets of the mutual company including the wells, tanks, mains, equipment, meters and services. Exhibit No. 68 is an engineering report of the water system dated February, 1954, which shows the capabilities of the water system in terms of sources of supply and distribution of water. Applicant has acquired 2 wells, viz., Well No. 40, with a tested production capacity of 275 gallons per minute as shown in

Exhibit No. 69, a well test dated April 28, 1955; and a smaller well known as Well No. 41, with a production capacity of 48 gallons per minute. There are 2 storage reservoirs, one of 40,000 gallons capacity located in the northerly portion of the service area, and another of 10,000 gallons capacity located west of the 40,000-gallon tank and at an elevation slightly higher. Water pressures of between 50 and 55 pounds are maintained below the larger tank, and of between 60 and 65 pounds below the smaller tank. Exhibit No. 71 is a Water Supply Permit of the State Department of Public Health dated February 28, 1951, issued to Paradise Valley Mutual Water Co., covering Paradise Valley Tract No. 3337, Yucca Valley.

A portion of this area has been subdivided into 332 lots. and the record shows that if there is a substantial increase in the number of consumers it will be necessary for applicant to provide additional storage capacity and some enlargement of the distribution mains. It appears, however, that the sources of water supply, the storage facilities and the distribution pipelines installed are adequate to serve area "Z" based both on present and immediately foreseeable demands.

Applicant's president stipulated that if applicant, or any related or affiliated corporation, directly or indirectly acquires any facilities, stocks or obligations at less than the cost thereof on the books of applicant, the later acquisition cost should prevail and should be used solely and only for the determination of earnings and rate-making purposes.

Conclusions

The Commission is of the opinion and so finds that public convenience and necessity requires that a certificate of public convenience and necessity be granted to applicant covering areas "E", "K", "W", "X", "Y", "BB" and "Z" as delineated in the third amendment

to the application. The certificate 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.

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

Applicant will be authorized to apply its presently filed rates to areas "E", "K", "W", "X", "Y", "BB" and "Z", as requested. Such rate filing authorization will be on an interim basis and will be subject to further investigation and review by the Commission before the final order in this application is made.

SECOND INTERIM ORDER

Application as amended having been filed, public hearings having been held with respect to areas "E", "K", "W", "X", "Y", "BB" and "Z" of said amended application, this portion of the application having been submitted and now being ready for a second interim decision based on the evidence of record and findings,

IT IS HEREBY ORDERED as follows:

1. That Rancho Ramon Water Co., a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct, and operate public utility water systems in the areas designated as its areas "E", "K", "W", "X", "Y", "BB" and "Z" in the preceding opinion and as shown on the maps, Exhibits Nos. 27, 31, 46, 47, 48, 56, and 64 filed at the March, 1956 hearings.
- 2.a. That applicant, on and after the effective date hereof, is authorized and directed to charge in the service areas certificated herein its presently filed schedule of rates for water service, and to apply in said certificated areas its rules which are on file with the Commission.

- b. That applicant shall, within forty days after the effective date hereof, revise its presently effective tariff schedules to provide for the application of its rates and rules in the areas certificated herein, together with revised tariff service area maps, all in accordance with the procedure prescribed by General Order No. 96. Such rates, rules and tariff service area maps 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 systems in the areas certificated herein are placed in operation under the rates and rules authorized herein, four copies of comprehensive maps 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 the 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 occur, or in any event at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.
- 5.a. That applicant be and it is authorized to issue a debenture in the face amount of \$80,000 to Shangri La Palms Water Company in substantially the form of Exhibit No. 26 in exchange for a one-year note in that amount due September 16, 1956, for the water system assets in area "E" as set forth in the agreement, Exhibit No. 23.
- b. That applicant be and it is authorized to issue 294 shares of its capital common stock of a par value of \$100 per share in the aggregate amount of \$29,400 to Charles F. Doyle, an individual, in exchange for the water system assets in area "K" as set forth in the agreement, Exhibit No. 32.
- c. That applicant be and it is authorized to issue 343 shares of its capital common stock of a par value of \$100 per share in the aggregate amount of \$34,300 to Sunny Sands Estate, Inc., for the water system assets in area "W" as set forth in the supplemental agreement, Exhibit No. 49.
- d. That applicant be and it is authorized to issue 568 shares of its capital common stock of a par

value of \$100 per share in the aggregate amount of \$56,800 to Home Way Development Company for the water system assets in area "BB" as set forth in the agreements, Exhibits Nos. 60 and 60A; provided that applicant shall place in escrow 105 shares of stock of the total authorized to be issued, said escrow to be cleared as the unpaid balance of \$10,496 due Wintroath Pumps, P.O.Box 29, 1100 South Meridian Avenue, Alhambra, California, as shown in Exhibit No. 57, is paid. Applicant shall file a copy of the escrow agreement with the Commission and shall report to the Commission in writing the reduction, clearance and termination of the escrow as such occur. Applicant shall also report in writing, by the filing of a certified statement, the acquisition of title to the water system pumping equipment covered by the escrow provisions.

- e. That applicant be and it is authorized to issue 417 shares of its capital common stock of a par value of \$100 per share in the aggregate amount of \$41,700 to Paradise Valley Mutual Water Co. for the water system assets in area "Z" as set forth in the supplemental agreement, Exhibit No. 65.
- f. That applicant be and it is authorized to use the proceeds from the issuance of the debenture and the shares of stock authorized hereinbefore for the purposes set forth in the preceding opinion, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the debenture and shares of stock herein authorized is reasonably required by applicant for the purposes specified herein and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.
6. That the foregoing authorization is without prejudice to the authority of this Commission with respect to rates, service, accounts, valuation, estimates, or determinations of cost which may come before this Commission.
7. That applicant shall file with the Commission monthly reports as required by General Order No. 24A, which order, in so far as applicable, is made a part of this order.

8. That the authority to issue a debenture herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$80.

The effective date of this order, except as it relates to ordering paragraph 8 above, shall be twenty days after the date hereof.

Dated at San Francisco, California, this 16th day of July, 1956.

Arthur E. Mitchell
President

Justin J. Casassa

Ray L. Intarini

Thomas D. Dooly

R. Hardy
Commissioners

