

ORIGINAL

Decision No. 50984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
RIM OF THE WORLD WATER COMPANY for a  
certificate of public convenience and  
necessity to operate a water company.

Application No. 38130

In the Matter of the Application of  
RIM OF THE WORLD WATER COMPANY for  
authority to issue shares of stock.

Application No. 38219

Douglas Badt, president and attorney, for  
applicant.  
Theodore Stein and Chester O. Newman, for the  
Commission staff.

O P I N I O N

Rim of the World Water Company,<sup>1/</sup> a corporation, by the above-entitled applications filed June 13, 1956 and July 2, 1956, respectively, seeks a certificate of public convenience and necessity to operate a public utility water system in tentative Tracts Nos. 5086, 5087, 5088, 5089, 5090 and 5091 on Rim of the World Highway in the San Bernardino Mountains in unincorporated territory, San Bernardino County. The map, Exhibit C, attached to the application shows the location of said tracts. The establishment of rates for water service, and authority to issue shares of stock are also requested. Applicant amended its application at the hearing and subsequently filed, on August 21, 1956, an amendment to each application seeking authority to issue 210 shares of common stock to acquire the water system proposed

1/ Hereinafter referred to as applicant.

to be installed by a general contractor and financed by a subdivider.

A public hearing in this matter was held before Examiner Stewart C. Warner on August 16, 1956, at Los Angeles. There were no protests to the granting of the applications.

General Information

Applicant filed its articles of incorporation with the Secretary of State on May 21, 1956. Its first officers are Douglas Badt, president, Albert J. Conley, Jr., vice president, and A. Claire Sonn, secretary-treasurer, all of Los Angeles. The officers constitute applicant's board of directors. The post office address is Room 412, 3460 Wilshire Boulevard, Los Angeles 5. By its articles of incorporation, applicant is authorized to issue 2500 shares of no par value common stock.

Description of Proposed Area

The proposed area is situated in the vicinity of Running Springs on the Rim of the World Highway in the San Bernardino Mountains. It is a general resort area, and the nearest public utility water companies are Running Springs Forest Water Company, approximately three miles distant, and Luring Pines Water Company, approximately one mile distant, each in an easterly direction from applicant's proposed area. Tentative Tracts Nos. 5086 to 5091, inclusive, comprise approximately 1000 lots; they are being subdivided by Rowco, Inc.,<sup>2/</sup> owner of the properties to be subdivided, a corporation with total assets, as of July 31, 1956, of about \$215,000 (Exhibit No. 4). Rowco plans to develop each tract

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<sup>2/</sup> Hereinafter referred to as Rowco.

separately, and the instant applications, covering the construction of a water system and its financing, apply specifically to Tract No. 5086, only. However, applicant requests a certificate of public convenience and necessity covering all tracts in order that the tracts may be certified to the San Bernardino County Planning Commission and the State Division of Real Estate for the sale of lots. Tract No. 5086 contains 295 lots, none of which has been sold, nor has any construction commenced thereon.

Sources of Water Supply, and Water System

Rowco owns, and has developed, seven horizontal wells of which six are producing wells. Their combined production capacity is 186.3 gallons per minute. Said wells have been drilled through dikes, into subsurface basins. Said basins are fed by the surface runoff of melting snows and rains, from water sheds at higher levels. Although their production is not great when compared with deep-drilled, vertical wells in other water producing valley areas, their flow has been steadily maintained the year around. Water from the wells will flow into a 1,200-gallon gathering basin, and will then be pumped into the distribution system by a centrifugal pump driven by a 15-horsepower electric motor.

In its application, applicant proposed to acquire a 100,000-gallon storage tank into which water would be pumped from the gathering basin. The maximum pumping elevation would be from 6,020 feet at well sites Nos. 5, 6 and 7, to 6,304 feet at the storage tank, or 284 feet. On cross-examination by the Commission staff engineer, applicant's witness admitted that better operating pressures and standby water service would be maintained with the installation of two 50,000-gallon storage tanks, one at the highest elevation and one midway between that point and the well sites, with interconnecting laterals.

The estimated cost of the water system (excluding wells and well sites) including pipe lines, pressure regulators, valves, fire hydrants, either one large or two small storage tanks, one collecting tank, a 15-hp pump, and a pump house, was \$19,703.36; all to be installed by J. W. Jensen, general contractor, and financed by Rowco.

#### Rates

Applicant proposes to charge an annual flat rate of \$36. Although annual meter rates are set forth in the application, there is no provision in applicant's proposed fixed capital for meters to be installed by and acquired from Rowco, and applicant offered no testimony that meters would be installed on consumers' premises.

#### Financing

In the original application, authority is requested to issue 10 shares of common stock for a stated value of \$100 per share to Rowco for working cash capital. The compensation to Rowco for the financing of the construction of the water system was proposed and stated to be applicant's promise to maintain a water system and to give water service to the area being subdivided by Rowco. In the amended application, authority is requested to issue 210 shares of common stock for a stated value of \$100 per share, or \$21,000, for the purchase of the water system properties heretofore described and for \$1,000 of working capital. The deeds to the well sites and the wells, and easements for pipe lines, will be transferred by Rowco to applicant for the consideration stated in the original application.

#### Findings and Conclusions

Although applicant requests a certificate of public convenience and necessity to operate a water system in Tracts Nos. 5086 through 5091, it is evident that the presently developed water supplies are adequate for Tract No. 5086, only.

It is further evident, and the Commission takes note of its own records of the availability of additional sources of water supply in the high mountain areas of San Bernardino County and in the area sought to be certificated, that it would not be prudent for the Commission, neither in applicant's interests nor in those of its consumers, to authorize applicant to operate a water system in a greatly extended area, comprising at least 1,000 lots, without the firm assurance of an adequate water supply thereto.

It is found as a fact that applicant made no showing with respect to the availability of an adequate source of water supply for Tracts Nos. 5087 through 5091. The proposed water system will not provide water service at all points in Tract No. 5086 at pressures in conformance with General Order No. 103. The Commission finds and concludes, therefore, that public convenience and necessity require that applicant be granted a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in Tract No. 5086, San Bernardino County, only, and that the balance of the application be denied. The certificate granted by the order 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.

In acquiring the water system from Rowco, applicant will be directed, as a condition to the granting of the certificate,

to certify in writing to the Commission that it possesses clear title to the wells and well sites described hereinbefore, and further that it has had installed and placed in operation two 50,000-gallon storage tanks and the necessary connecting laterals, and that it has required the water system to be constructed so as to provide operating pressures within the pressure limits prescribed in this Commission's General Order No. 103 throughout Tract No. 5086, and to report the details of such installation to the Commission in writing within ninety days after the effective date of the order which follows.

The Commission further finds and concludes that public convenience and necessity require that applicant be ordered not to extend its water system outside the boundaries of Tract No. 5086 until additional sources of water supply have been developed, nor until further order of the Commission.

Applicant's request for the establishment of an annual flat rate for water service of \$36, in view of the undeveloped and speculative nature of the proposed service area, appears to be reasonable and comparable, under the circumstances, to other utilities operating in mountain resort areas. Applicant will be authorized to file its proposed rates.

The request to issue stock to Rowco for the acquisition of the water system, the financing of the construction of which is to be by Rowco, and for \$1000 of working capital will be authorized.

O R D E R

Applications as amended having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

- 1.(a) That Rim of the World 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 tentative Tract No. 5086, San Bernardino County, subject to the condition that applicant shall certify in writing to the Commission that it possesses clear title to the wells and well sites described in the preceding opinion, and subject, further, to the condition that applicant shall have had installed and placed in operation two 50,000-gallon storage tanks and the necessary connecting laterals, and shall have required the water system to be constructed so as to provide operating pressures in conformance with General Order No. 103 throughout Tract No. 5086, and to report the details of such installation to the Commission in writing within ninety days after the effective date hereof.
- (b) That applicant shall not extend its water system outside the boundaries of Tract No. 5086 without further order of the 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.

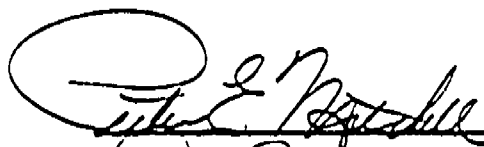
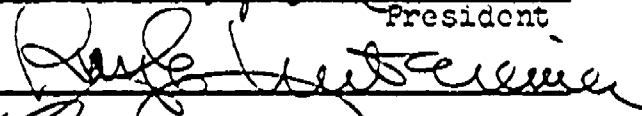

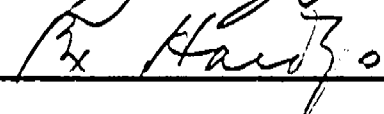
4. That applicant shall base the accruals for depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission. The depreciation study, resulting in the depreciation accruals to be used initially, shall be submitted in writing to the Commission prior to March 1, 1957.
- 5.(a) That applicant is authorized to issue 210 shares of stock in the stated amount of \$21,000 to Rowco, Inc., for conveyance of the water system properties referred to in the preceding opinion, 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.
- (b) That none of the shares of stock authorized by paragraph 5(a) hereof shall be sold or issued unless and until applicant corporation first shall have selected an escrow holder and said escrow holder first shall have been approved by the Commission; that when issued all documents evidencing any of said shares of stock shall be deposited with said escrow holder forthwith, to be held as an escrow pending the further written order of the Commission; that the receipt of said escrow holder for said documents shall be filed with the Commission; and that the owners or persons entitled to said shares shall not consummate a sale or transfer of said shares, or any interest therein, or receive any consideration therefor, until further order of the Commission.



6. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24A, which order, in so far as applicable, is made a part of this order.
7. That the authority herein granted will lapse if not exercised within one year from the effective date hereof.
8. That the applications as amended, except as specifically herein granted, be and they are denied.

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

Dated at San Francisco, California, this 30<sup>th</sup> day of OCTOBER, 1956.

  
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President  
  
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Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 5086 adjacent to State Highway 18 approximately one mile northwest of the community of Running Springs in the San Bernardino mountains, San Bernardino County.

RATES

	<u>Per Meter per Year</u>
Quantity Rates:	
First 3,000 cu.ft. or less .....	\$36.00
Next 5,000 cu.ft., per 100 cu.ft.....	.50
Over 8,000 cu.ft., per 100 cu.ft.....	.30
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$36.00
For 3/4-inch meter .....	40.00
For 1-inch meter .....	48.00
For 1-1/2-inch meter .....	60.00
For 2-inch meter .....	72.00

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

SPECIAL CONDITIONS

1. Meters will be read on the first day of March, June, September and December. The quantity of water used by each customer will be accumulated on an annual basis during the 12-month period for which the annual charge has been paid. The charge for any use in excess of the quantity allowed for the minimum charge will be computed by applying the proper quantity rate or rates to the additional quantity accumulated in each quarter of the annual period.

2. The annual minimum charge is due and payable in advance.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Tract No. 5086 adjacent to State Highway 18 approximately one mile northwest of the community of Running Springs in the San Bernardino Mountains, San Bernardino County.

RATES

	<u>Per Service Connection per Year</u>
For one single family residence or for the first unit of multiple residential units, including premises .....	\$36.00
For each additional residential unit on the same premises .....	36.00

SPECIAL CONDITION

1. A meter may be installed at option of utility or customer, in which event service will thereafter be furnished only on the basis of Schedule No. 1, General Metered Service.