

ORIGINAL

Decision No. 54281

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of TAMARISK WATER COMPANY
for a certificate of public convenience
and necessity in the vicinity of
Cathedral City, Riverside County,
California.

Application No. 38075
(Amended)

Best, Best and Krieger, by James H. Krieger, for applicant.
John Moore Robinson, for Rancho Ramon Water Company, protestant.
Gordon, Knapp and Gill, by Wyman B. Knapp, for Palm Valley Water Company; M. H. Barker, for property owners, S $\frac{1}{2}$ of NW $\frac{1}{4}$ of SW $\frac{1}{4}$, Township 4 S, Range 5 E; Merrill Brown; Fred R. Mottle; Robert H. Sherrill, for Cathedral City Water Company; interested parties.
Theodore Stein and Charles W. Drake, for the Commission staff.

O P I N I O N

Tamarisk Water Company, a California corporation, herein-after referred to as applicant, by the above-entitled application filed on May 28, 1956, as amended by an amendment filed on October 11, 1956, to conform to the proof adduced at the hearing on October 4, 1956, seeks (1) a certificate of public convenience and necessity to conduct operations as a public utility water corporation in Riverside County, California, in territory described as follows:

The South Half of Sections 25 and 26, and the Southeast Quarter of Section 27; the East Half of Section 34 and all of Sections 35 and 36 in Township 4 South, Range 5 East, S.B.B.&M., comprising approximately 2400 acres; ^{1/}

^{1/} See Exhibit A attached to the First Amendment to the application.

(2) to establish rates; and (3) to issue stock.

A public hearing on the application was held in Palm Springs on October 4, 1956, before Commissioner Rex Hardy and Examiner Kent C. Rogers. Prior to the hearing, notice thereof was published and mailed as required by this Commission. The applicant requested and was granted permission to file an amendment to the application to conform to the proof adduced at the hearing. This amendment was filed on October 11, 1956, and the matter is ready for decision.

General Information

Applicant filed its articles of incorporation with the Secretary of the State of California on April 9, 1956. Its first directors were stated to be Dorothy T. Ayers, Agnes Burch, Frances Criswell, Margaret Sturgeon and Lois Rice. Its present officers are John A. Connors, President, Sol Lesser, Vice President, Norman Ahrenberg, Secretary, Lew Kass, Treasurer, and Asher Levy, Assistant Secretary and Treasurer. By its articles of incorporation it is authorized to issue 10,000 shares of stock of the par value of one hundred dollars per share. Applicant seeks authority to issue 1100 of such shares, approximately 100 to be in exchange for certain assets of the Wontam Mutual Water Company, and the balance to be for initial construction, operating cash, and expenses of this proceeding.

The Proposed Service Area

The proposed service area comprises 2400 acres in Riverside County in an area immediately east of Cathedral City which is bounded on the south by Wonder Palms Road, also known as 38th

Avenue, and on the east by Rio Dol Sol Road. The proposed service area slopes upward from the south to the north, the elevation on the southern edge being approximately 250 feet, and on the north-east corner being approximately 325 feet, a slope of approximately 75 feet in a distance slightly in excess of one and one-half miles. The Tamarisk Country Club has its golf course on and near Wonder Palms Road, also known as 38th Avenue. The golf course comprises 145 acres of the proposed service area. Surrounding this golf course is a subdivision known as Wonder Estates consisting of 130 large residential lots, of which 16 are presently improved and six more are to be improved in 1956. These 130 residential lots and access streets total 75 acres. The golf course and Wonder Estates are shown on Exhibit No. 1 and are presently furnished water by the Wontam Mutual Water Company. This latter company was formed primarily for the purpose of supplying irrigation water to the golf course. It also supplies water to the residences in Wonder Estates and to the Tamarisk Country Club for drinking and sanitary purposes. The mutual water company has two wells and pumps, a pressure tank, and a system of pipes. The applicant proposes to acquire one of the mutual water company's wells and pumps and a pressure tank, and install a domestic water system to furnish water to the Wonder Estates, the Tamarisk Country Club, and any other domestic water users in the proposed service area who desire its services. The applicant will install at its own expense piping in the Wonder Estates and the Tamarisk Country Club. Others in the proposed service area will be served in accordance with a main extension rule to be filed as required by this Commission.

Several prospective or existing housing developments in the proposed service area now need, or soon will require, water. There is a proposed 20-acre development at the corner of Du Vall Road and Cobb Road which is awaiting an adequate water supply. This area is approximately one-half mile from applicant's proposed pipe system along Palm View Road. Twenty homes are being constructed at the northwest corner of 37th Avenue and Palm View Road directly across the street from applicant's proposed main. An additional 20 homes are contemplated in this tract. Many new homes are presently being constructed in the extreme northeast corner of the proposed service area. There is a subdivision comprising 600 lots in the northwest corner of Wonder Palms Road (38th Avenue) and Rio Del Sol Road. There is a large residence being constructed at the corner of La Paz Road and Los Alamos Drive, directly across the street from the existing service area of the Wontam Mutual Water Company.

The Existing and Proposed Water Supply

Wontam Mutual Water Company has two wells. Well A is located on the golf course near Thompson Road (see Exhibit No. 1). With the present pump it produces 301.6 gallons of water per minute against a discharge head of 309.6 feet (Exhibit No. 2-b). Well B is located on Wonder Palms Road near the southern extension of Palm View Road (see Exhibit No. 1). It produces 1476.6 gallons of water per minute against a discharge head of 312.9 feet (Exhibit 2-b). In addition to these wells there are approximately 25 privately owned wells in the proposed service area, some with pumps and some without pumps. Applicant proposes to drill a new well, to be designated Well B, near 37th Avenue and Los Reyes Drive

(see Exhibit No. 1). Applicant estimates that this well will produce 500 gallons per minute, and proposes to connect it to the proposed domestic water system. The applicant and the Wontam Mutual Water Company stipulated at the hearing that a provision could be inserted in any certificate granted herein that a connection shall be maintained between the Wontam Mutual Water Company system Well B and the applicant's system to insure an adequate supply of water to the domestic system.

The Proposed Water System

The proposed system, insofar as it will furnish water to the Wonder Estates, is shown on Exhibit No. 2, Map No. 1. Water will be supplied by existing Well A of the Wontam Mutual Water Company and Well B to be drilled forthwith and referred to above, with standby water furnished by the Wontam Mutual Water Company Well B used for irrigating the golf course. Well A to be acquired from Wontam is equipped with a pump and a 10,000-gallon pressure tank. Well B to be drilled will also be equipped with a pump and a 10,000-gallon pressure tank. - A circulating system of 12- and 8-inch mains will be installed by applicant in the Wonder Estates. An 8-inch main will extend to the Tamarisk Country Club and beyond, and 4-inch mains will extend to the residential lots in the Wonder Estates not contiguous to the 8-inch and 12-inch mains. The pressure in the system will be between 50 and 60 pounds per square inch. The proposed initial development is shown on Map No. 1 of Exhibit No. 2. Main extensions to serve additional customers or subdivisions in the proposed service area will be made from the nearest of the 12- or 8-inch mains referred

to above pursuant to the applicant's main extension rule. A consulting engineer, called as a witness by the applicant, estimated the number of customers of the Tamarisk Water Company as follows:

Year	Number of New Customers		Total
	Wonder Estates	New Subdivisions	
1957	52	30	82
1958	92	45	137
1959	132	60	192
1960	172	75	247

He estimated that the average water requirements will be 18,750 cubic feet per month for the clubhouse, and 3000 cubic feet per month per residential customer. He calculated that for 1957 there will be required a maximum water supply of 428 gallons per minute, and for 1960 there will be required a maximum water supply of 718 gallons per minute. It is obvious that proposed Well B will be required at the outset of operations. All services are to be metered. Fire hydrants are to be installed.

Rates

The proposed rates are as follows:

General Monthly Meter Rates

First	500 cubic feet or less	\$2.00
Next	1,000 cubic feet per 100 cubic feet	.30
Next	3,500 cubic feet per 100 cubic feet	.20
Next	10,000 cubic feet per 100 cubic feet	.15
Next	10,000 cubic feet per 100 cubic feet	.125
Over	25,000 cubic feet per 100 cubic feet	.10

Monthly Minimum Charge

5/8-x 3/4-inch meter	\$2.00	2-inch meter	\$15.00
1-inch meter	4.50	3-inch meter	30.00
1 1/2-inch meter	8.00	4-inch meter	50.00

Fire Hydrant Rates

From 2-inch mains	\$2.00
From 3-inch mains	4.00
From 4-inch mains	6.00

According to applicant's engineer witness, applicant will operate at a loss for the year 1957, and will have a rate of return of only 3.6 percent for the year 1960 (Exhibit No. 4, page 11). The staff engineer pointed out that applicant's rate base is excessive in several respects. These rate base items were used by the applicant's witness in developing his estimated rate of return.

The Cost and Financing of the System

The original system, designed to provide domestic water to the clubhouse and the 130 residential lots in the Wonder Estates, will include existing Well A, together with the land, pump and pressure tank to be acquired by applicant from the Wontam Mutual Water Company, proposed Well B together with pump and pressure tank, and mains, service pipes, and 16 meters. This initial installation was estimated by applicant's engineer witness to cost \$98,005, and the elements of the estimate are set forth on Exhibit E of Exhibit No. 2 herein. Included in this estimate are several items questioned by the staff representative. The applicant's witness allowed \$50 each for the meters and the installation thereof for the 16 existing houses in Wonder Estates. The witness agreed that the maximum cost of these meters and the installation thereof would be \$42 each. The witness also allowed \$50 each for 16 service connections from the proposed mains to the homes to replace the existing mutual water company connections. The staff pointed out that one connection is used for each two meters and that, therefore, the cost of the original service connections to the 16 houses would be one-half of the \$800 shown by the applicant, or \$400. Applicant also proposes in its initial

construction to extend an 8-inch main from the intersection of Wonder Palms Road and the Tamarisk Country Club driveway via Wonder Palms Road to the Wonder Palms Hotel, a distance of 1000 feet. This extension would cost \$3.25 per linear foot installed, or a total of \$3,250. The Wonder Palms Hotel has not requested service and there is at present no demand for any service beyond Wonder Palms Hotel. If these three specified items, namely, the excess cost of the meters, cost of 8 service connections, and the cost of 1000 feet of 8-inch pipe, are eliminated, the entire cost of the system will be \$94,227, including the payment by applicant of \$10,433 for Well A, the necessary land on which the well is situated, the pump, and a 10,000-gallon pressure tank (see Exhibit No. 6). Applicant's witness estimated that \$2000 will be needed for working cash capital. Its attorney estimated an organization expense of \$5000. In our opinion, \$5000 is an adequate sum to allow for working cash capital and the expenses of organization, plus an additional \$773 for unexpected expenses. This sum, plus the cost of the system as set forth above, will total \$100,000. ✓

Applicant has requested authority to issue 1100 shares of its capital stock with a par value of \$100 per share. The money realized from the sale of the stock is to be used to acquire the heretofore specified property of the Wontam Mutual Water Company, to finance construction of a water system in the Wonder Estates, to construct a new operating well, to provide for working cash capital, and to pay the expenses of organization. We will permit applicant to issue not to exceed 1000 shares of its \$100 par value capital stock for these purposes. The Wontam Mutual ✓

Water Company has agreed to purchase 325 of these shares of stock, transferring the Wontam Mutual Water Company Well A together with appurtenances to applicant in exchange for \$10,733 in value of applicant's stock, and to pay applicant cash for the balance of the value of the stock. The vice president of the Wontam Mutual Water Company stated that the stock issue is being offered to the stockholders of the Wontam Mutual Water Company, and that he has guarantees from an underwriting group that if any stock is not taken up it will be purchased on a prorata basis by the group of underwriters.

Conclusion

From a review of the record it appears that the sources of water supply, including standby Well B of the Wontam Mutual Water Company, and the proposed water system installations are adequate to serve the proposed service area until 1960. It further appears that the applicant is a new company, that its proposed rates for metered service are not excessive, and that it should be permitted to file a schedule of meter rates as proposed, provided that its operations be reviewed at the end of the first full year's operations in order that any required adjustments in its rate schedule may be made in the light of the experience which will be available at that time. The record in this proceeding does not support the rates proposed for water service to fire hydrants nor the need for any rates to be authorized for such service at the present time.

Should it develop that applicant needs additional capital for its development, the Commission will consider a supplemental or separate application seeking authority to issue additional shares of stock.

After consideration of the record herein, the Commission is of the opinion and finds that public convenience and necessity require the granting of the certificate as requested. This certificate is subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the 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 Commission is also of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes herein specified and that expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income.

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

The order which follows will provide for the filing of the schedule of rates submitted in the application except those proposed for fire hydrant service. Such filing will be authorized subject to review by this Commission after the applicant's first full calendar year of operations.

O R D E R

An application having been filed, a public hearing having been held thereon, the matter having been submitted and now being ready for decision, and the Commission having made the foregoing findings and based upon such findings,

IT IS ORDERED as follows:

(1) That Tamarisk Water Company, a corporation, be, and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area described hereinabove, subject to the condition that applicant shall, within sixty days after the effective date of this order, obtain a water supply permit as required by the Health and Safety Code of California for all wells from which water is introduced into the system. Copies of these permits shall be filed with this Commission within ten days after issuance. Prior to the commencement of service applicant shall secure a firm written commitment from Wontan Mutual Water Company for the use of necessary water from Wontan's Well B, and shall install and place in operation a pipe line from Well B to applicant's system. A copy of this commitment from Wontan shall be filed with the Commission prior to applicant's placing its system in operation. A notice of completion of installation of the pipe line from Well B to applicant's system shall be filed with the Commission prior to applicant placing its system in operation.

(2) That the applicant, within thirty days following the first full calendar year of operation under the rates authorized herein, shall file with this Commission a report of such operation, including gross revenues, operation and maintenance expenses, taxes, depreciation, rate base, and rate of return, and that such rates shall thereupon be subject to review by this Commission.

(3) That the applicant be, and it is, authorized to file, after the effective date of this order, the rates set forth in

Appendix A attached hereto, to be effective on or before the date service is first rendered to the public under the authority herein granted, together with rules and a 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 on five days' notice to the Commission and to the public as hereinabove provided.

(4) That applicant shall file, within ninety 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 of not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served for which the certificate is issued, the sources of water supply and the distribution facilities, and the location of the various properties of the applicant.

(5) 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 this Commission.

(6) That applicant, after the effective date hereof, may issue not to exceed 1,000 shares of its \$100 par value capital stock to the parties and for the purposes specified in the foregoing opinion. ✓

(7) That applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, which order, insofar as applicable, is hereby made a part of this order.

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

Dated at San Francisco, California, this 17th
day of DECEMBER 1956.

E. N. Mitchell President
Raulo W. W. W. W.
M. J. J. J.
R. Hardy
E. L. Fox Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including the subdivision known as Wondor Estates and the Tamarisk Country Club, and vicinity, approximately one-half mile easterly of Cathedral City, Riverside County.

RATES

Quantity Rates:		Per Meter Per Month
First	500 cu. ft. or less	\$ 2.00
Next	1,000 cu. ft., per 100 cu. ft.30
Next	3,500 cu. ft., per 100 cu. ft.20
Next	10,000 cu. ft., per 100 cu. ft.15
Next	10,000 cu. ft., per 100 cu. ft.125
Over	25,000 cu. ft., per 100 cu. ft.10

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.00
For	1-inch meter	4.50
For	1½-inch meter	8.00
For	2-inch meter	15.00
For	3-inch meter	30.00
For	4-inch meter	50.00

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