

ORIGINAL

Decision No. 54578

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ABUNDANT WATER CO.,)
 a corporation, for a certificate;)
 to issue and sell stock; acquire) Application No. 38016
 properties and to establish rates)
 for water service, San Bernardino)
 County, California.)

Getz, Aikens & Manning, by DeWitt Morgan Manning,
 for applicant.
Charles W. Drake and A. L. Gielegem, for the
 Commission staff.

O P I N I O N

A public hearing was held in the above-entitled application in Los Angeles before Examiner Mark V. Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

The record shows and we find that Abundant Water Co. is a California corporation incorporated in April of 1956 for the purpose of engaging in the business of operating a "water system", as that term is defined in Section 240 of the Public Utilities Code, in the County of San Bernardino near the community of Boron. Its authorized capital consists of 750 shares of one class having a par value of \$100 each. Its officers and directors are: John E. Wilks, president and director; Francis Dean, vice president and director; and Tom Murphy, secretary-treasurer and director. No business has been transacted except that which is incidental to incorporation, and no shares are outstanding.

Applicant is a wholly owned subsidiary of Silver Joy Oasis, Inc., a California corporation, hereinafter referred to as Silver Joy, which was incorporated in 1955 for the purpose of acquiring and

developing property for residential and business purposes. The officers and directors of the latter company are the same as applicant's except that Francis Dean is the president and John E. Wilks is the vice president.

Silver Joy is now engaged in subdividing one of the several parcels of land which it recently acquired in the unincorporated territory of San Bernardino County near the intersection of U. S. Highways Nos. 395 and 466. The parcel consists of approximately 160 acres being approximately one-quarter section of Section 31, Township 11 North, Range 6 West, S. B. B. & M., in the vicinity of Boron and Kraemer's Corner, which parcel is the proposed service area. The initial subdivision within said 160 acres consists of Tract No. 5028 which has been subdivided into 46 lots. Silver Joy has installed the existing water facilities serving said lots, which facilities applicant proposes to acquire and operate. Said Tract No. 5028 is the first unit to be subdivided, and thereafter Silver Joy proposes, if the initial development is financially successful, to subdivide the remainder of the 160 acres in three successive units in the years 1957 through 1959. Ultimately there will be approximately 275 consumers.

Applicant is proposing to issue 528 of its shares, at par, to Silver Joy to pay for the water facilities, which the latter company has recently installed in said proposed service area, on the basis of the original cost of said facilities, for organization costs, and for cash to be used for further improving said water system. Future main extensions to serve the second unit of 60 lots proposed for 1957, and the third and fourth units proposed for 1958 and 1959 will be financed in accordance with the main extensions rule as prescribed by this Commission in Decision No. 50580.

Actual system and organization costs, to November 15, 1956, paid by Silver Joy, are \$32,510.57¹ (Exhibits Nos. 1 and 3). The water system as it now exists consists of one 500-foot well, turbine pump, motor, approximately 7,200 feet of 4-, 6- and 8-inch transmission mains, a 189,000-gallon tank, and 1-inch services to 46 lots. Applicant has estimated additional water system costs at \$22,609.80² (Exhibit F filed with its application).

The evidence of record shows that additional expenditures will not be required in the amount indicated. A hydraulic engineer testifying for applicant estimated that approximately an additional \$14,900 would be required for a storage tank, booster pump, valves, gauge, and a second well to adequately serve the first two units of 46 and 60 lots, respectively, providing the transmission mains, services and hydrants for the second and subsequent units are financed by main extensions agreements. A Commission engineer estimated that an additional \$19,400 would complete the water system for the first two units. This figure includes a cost of \$5,300 for 2,200 feet of 8-inch, 10-gauge, pipe to be laid from Well No. 1 to the storage tank.

In a 72-hour test applicant's present well produced a maximum continuous flow of 156 gallons per minute and recorded a flow as high as 182 gallons per minute. Although this is desert area, the water supply and transmission facilities together with the recommended additions and improvements will meet estimated demands for the first two units. Applicant has been issued a water permit

1 At the time the application was filed this figure was \$30,190.20 (Exhibit F), which sum, together with the estimated additional expenditure of \$22,609.80, accounts for the 528 shares applicant proposes to sell and issue to Silver Joy.

2 This amount includes \$12,000 for cost of facilities for the second unit of 60 lots which applicant now proposes to finance, in major part, in accordance with the main extensions rule.

by the County of San Bernardino, and a chemical analysis shows that the water is hard but potable.

The following is a description of the proposed service area:

"Beginning at the southeast corner of Section 31, Township 11 North, Range 6 West, San Bernardino Base and Meridian; thence west along the south line of said Section 31 a distance (S. 89° 09' 49" W.) of 2,674.45 feet; thence N. 0° 53' 32" E. a distance of 2,672.15 feet; thence S. 89° 26' 15" E. a distance of 2,319.10 feet to a point in the center line of U. S. Highway No. 395; thence S. 12° 45' E. a distance of 2,760.02 feet along and following the center line of said U. S. Highway No. 395 to a point in the south line of Section 32, T.11 N., R.6 W., S.B.B.& M.; thence west along the south line of said Section 32 a distance of 290 feet more or less to the point of beginning."

A map showing the present and proposed development of said area is in evidence as Exhibit No. 5 in this proceeding.

The Commission staff has estimated the rate bases for the years 1957 and 1960 as follows:

<u>Item</u>	<u>Estimated Year</u>	
	<u>1957</u>	<u>1960</u>
Weighted Avg. Fixed Capital	\$49,380	\$117,190
Working Capital	1,100	1,100
Deduction for Weighted Avg. Depreciation Reserve	970	7,850
Weighted Avg. Depreciated Rate Base (a)	49,510	110,440
Advances for Construction	(6,195)	(29,010)
Weighted Avg. Depreciated Rate Base (b)	43,315	81,430

(Red Figure)

- (a) According to the method of financing made by the company where the subdivider receives common stock from applicant for all the facilities installed by the subdivider in developing the area for which a certificate of public convenience and necessity has been requested, and
- (b) According to the method proposed by the staff where the subdivider receives common stock for the facilities originally installed to serve the first 46-lot development, and all further plant additions are in accordance with the main extensions rule.

Applicant proposes to charge the following rates:

Schedule No. 1

GENERAL METER RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 3.50
Next 2,000 cu.ft., per 100 cu.ft.20
Next 7,000 cu.ft., per 100 cu.ft.15
Next 10,000 cu.ft., per 100 cu.ft.10
Over 20,000 cu.ft., per 100 cu.ft.08

Meter Rates:

For 5/8 x 3/4-inch meter	3.50
For 1-inch meter	5.50
For 1½-inch meter	9.00
For 2-inch meter	12.00

Schedule No. 2

FIRE HYDRANT RATES

	<u>Per Hydrant Per Month</u>
For any 4-inch x 2½-inch single outlet fire hydrant, company-owned and main- tained	\$ 3.00

Assuming full development of the service area as indicated in the application, the staff's estimated summary of earnings for 1957 and 1960 is as follows:

<u>Item</u>	<u>Estimated Year</u>	
	<u>1957</u>	<u>1960</u>
Operating Revenue	\$ 6,600	\$ 21,700
Total Expense	5,995	16,300
Net Revenue	605	5,400
 (a) <u>Main Extension Rule Not Applied</u>		
Weighted Avg. Depreciated Rate Base	49,510	110,440
Rate of Return	1.2%	4.9%
 (b) <u>Main Extension Rule Applied After Development of First 46-Lot Subdivision</u>		
Weighted Avg. Depreciated Rate Base	43,315	81,430
Rate of Return*	1.4%	6.6%
Net to Gross Multiplier	1.49	1.49

* Applicant has not estimated rate of return for the corresponding years.

(a) and (b): See explanation under rate base tabulation, supra.

Applicant's estimate of additional water system costs (Exhibit F) includes \$2,500 to be paid to Silver Joy for the purchase of the well and reservoir sites having an aggregate area of 25,500 square feet, and \$500 additional for undesignated easements. The Commission is of the opinion that the staff valuation of \$120 for land is more in line with the original cost of approximately \$40 per acre and for that reason will accept the latter figure. As income will be limited for a considerable period applicant's suggested working cash capital of approximately \$2,000 is not deemed excessive.

The Commission is of the opinion that the sale and issuance of an aggregate of 497 shares will provide applicant with an adequate water system serving the proposed first two units of 46 and 60 lots, respectively; that of said shares 325 shares are to be issued in consideration of the present water system and organization expense, and 172 shares for cash to provide applicant with \$15,080 for recommended additions and improvements, \$2,000 for working cash capital, and \$120 for land and easements.

The Commission having considered the evidence of record is of the opinion and finds that applicant's request for a certificate of public convenience and necessity for the said described area should be granted subject to certain conditions as hereinbelow set forth; that the proposed rates and charges are just and reasonable; that the money, property or labor to be procured or paid for by the issue and sale of the shares of stock as hereinafter 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 expense or to income.

The certificate hereinbelow granted 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 any property hereinabove referred to or described.

O R D E R

A public hearing having been held in the above-entitled matter, the Commission being fully advised in the premises orders as follows:

1. That a certificate of public convenience and necessity be, and it is hereby, granted to Abundant Water Co., a California corporation, to operate a public utility water system in San Bernardino County in the area hereinabove described subject to the following conditions:

- a. That applicant shall immediately drill and develop a second well with a minimum capacity of 100 gallons per minute continuous flow. A properly designed deep well turbine pump and motor shall be installed in the new well, in connection with a hydropneumatic tank of not less than 5,000 gallons capacity equipped with controls to operate between 40 and 60 pounds per square inch gauge pressure, all of which facilities shall be placed in operation within six months after the date service is first rendered to the public under the authority herein granted. Applicant shall notify the Commission in writing within five days after the said facilities have been placed in operation.

- b. That all of said installations and all future installations shall be in conformance with General Order No. 103 of the Commission.
- c. That applicant shall not expand its water system beyond its first unit, Tract No. 5028 and its second proposed unit of 60 lots, unless and until it shall have first submitted in writing to this Commission (1) a report on the amount of additional water available from the underground basin in the immediate vicinity of the area certificated herein, and (2) a summary of the changes planned to be made to the water system as then existing in order to serve an adequate supply of water at proper operating pressure to the said first and second units of the subdivision as well as to the proposed third and fourth units thereof, and then not until the Commission, upon such showing, shall have modified this order.

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 is authorized to sell and issue to Silver Joy Oasis, Inc., a California corporation, 325 shares of its capital stock at par as consideration for organization expense and the transfer and assignment to applicant, first to be made, of the water system properties hereinabove referred to, and an additional 172 shares at par for cash for the uses and purposes hereinabove set

forth, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issuance of such shares of 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.

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 the Commission.

6. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

8. That except as hereinabove authorized Application No. 38016 be, and it is hereby, denied.

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

Dated at San Francisco, California, this 25th day of February, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

9- Commissioner Rex Hardy being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain unincorporated territory, approximately 6 miles east of the community of Boron and northwest of and adjacent to the intersection of U. S. Highways 395 and 466, San Bernardino County.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 3.50
Next 2,000 cu.ft., per 100 cu.ft.20
Next 7,000 cu.ft., per 100 cu.ft.15
Next 10,000 cu.ft., per 100 cu.ft.10
Over 20,000 cu.ft., per 100 cu.ft.08

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 1-inch meter	5.50
For 1 1/2-inch meter	9.00
For 2-inch meter	12.00

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

Certain unincorporated territory, approximately 6 miles east of the community of Boron, and northwest of and adjacent to the intersection of U. S. Highways 395 and 466, San Bernardino County.

RATE

	<u>Per Month</u>
For each 4-inch by 2½-inch single outlet fire hydrant	\$ 3.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.