

ORIGINAL

Decision No. 54976

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SILVER SPUR RANCH WATER CO. to establish and operate a water system near Palm Desert, Riverside County, California; to establish rates and to issue securities.

Application No. 37784

Kelley and Kelley, by Donald K. Kelley, for applicant.

Leonard R. Lockhart, for Palm Desert Water Company, interested party.

James Shields and A. L. Gielegem, for the Commission staff.

O P I N I O N

By the above-entitled application, filed on February 24, 1956, amended by an amendment filed on February 19, 1957, and in effect further amended by Exhibit No. 1A, a proposed service area map filed on March 14, 1957, applicant, a California corporation, seeks a certificate of public convenience and necessity to construct and operate a public utility domestic water system in unincorporated territory in Riverside County, California, described as follows:

The south $\frac{1}{2}$ of the south $\frac{1}{2}$ of Section 29, Township 5 south, Range 6 east, S.B.E.&M., excepting therefrom the northerly 325 feet.

All that portion of Section 32, Township 5 south, Range 6 east, S.B.E.&M., not owned (sic) by the Coachella Valley County Water District.

A small parcel of land, consisting of 16 acres, more or less, located in Section 31, Township 5 South, Range 6 East, S.B.B. & M., which parcel is bounded on the east by the west boundary of Section 32, Township 5 South, Range 6 East, S.B.B. & M., on the south by the Coachella Valley Storm Channel, for a distance of approximately 1225 feet northwesterly from said Section 32 along the northerly boundary of said channel, on the west by a line extending approximately 400 feet due north from the northerly boundary of said channel; and on the north by an east-west line approximately 1180 feet long ending in the west boundary of said Section 32.

This proposed service area is depicted on Exhibit No. 1A herein. The County of Riverside does not require that the applicant secure a franchise to provide water service.

In addition to the said certificate of public convenience and necessity, applicant seeks to establish rates and to issue stock in exchange for the existing water system in Silver Spur Ranch Unit No. 1 and for working cash.

Public hearings on the application were held in Palm Springs, California, before Examiner Kent C. Rogers on February 7 and March 4, 1957. On the latter date the matter was submitted subject to the filing within ten days thereafter of Exhibit No. 1A. This exhibit has been filed and the matter is ready for decision.

Applicant is a California corporation formed primarily for the purpose of furnishing domestic water to the above-described land, the major part of which is owned by Silver Spur Ranch Corporation. Applicant's articles of incorporation were filed with the Secretary of State of California on December 22, 1955. It is thereby authorized to issue 750 shares of stock having a par value of \$100 each and of the total par value of \$75,000. The first directors are H. Adrian Schwilck; his wife, Mercedes Schwilck; and Shirley St. Leon. The officers of the corporation are H. Adrian Schwilck, President; Mercedes Schwilck, Vice-President and Treasurer; and

Shirley St. Leon, Secretary. All of the stock of applicant which is to be issued pursuant to the herein application will be issued to Panorama Builders, Inc., the developer of subdivisions in the proposed service area. All the stock of Panorama Builders, Inc., is owned by said Mercedes Schwilck, and Adrian Schwilck is the president thereof. The stock of the Silver Spur Ranch Corporation is owned and controlled by Mrs. Schwilck and others. Panorama Builders, Inc., has a claimed net worth of approximately \$1,400,000 (See Exhibit No. 4).

The Service Area

The proposed service area contains approximately 600 acres of desert land gently sloping from an altitude of approximately 750 feet in the southwest corner thereof to an altitude of approximately 400 feet in the northeast corner. Panorama Builders, Inc., has recorded a subdivision map of Silver Spur Ranch Unit No. 1 located in the northeast portion of the proposed service area. This subdivision contains 75 lots varying in size from 75 feet by 80 feet to 90 feet by 125 feet (Exhibit F on the application) and several houses are under construction therein. A subdivision, to be known as Silver Spur Ranch Unit No. 2, the map of which has not yet been filed and which will contain approximately 83 lots, is contemplated immediately south of and contiguous to the above-described subdivision (See Exhibit No. 2). Applicant proposes to extend service to this latter portion of the service area within the next few months. The only other portion of the area to which service is proposed in the near future comprises two contiguous parcels of land owned by Mr. Harris and Mr. Crosby, respectively, containing a total of 26 acres. These parcels are not contiguous to Silver Spur Ranch Unit No. 1 or Unit No. 2 (See Exhibit No. 1A).

The Proposed System and Water Supply

Panorama Builders, Inc., has constructed a domestic water system in Silver Spur Ranch Unit No. 1. This system consists of a well, located about 1,400 feet east of the east boundary line of Unit No. 1, which is equipped with a 40-horsepower electric motor which produces 282 gallons of water per minute with a drawdown of 12 feet. It was the opinion of the applicant's engineering witness that this well is capable of producing two or three times the said amount of water, and this opinion was not disputed by the staff. The witness also stated that the well is sufficient for Unit No. 1, but that a second well will be required for Unit No. 2. The well discharges into a 3,000-gallon pressure tank providing pressure of 40 to 60 pounds per square inch at the tank. An 8-inch main extends from the well to Silver Spur Ranch Unit No. 1, and water is distributed through a system of 4-inch and 6-inch mains. There are 6 fire hydrants in the tract. Exhibit F on the application depicts the subdivision and the water system therein. Applicant proposes to acquire this existing system from Panorama Builders, Inc., in exchange for its shares of stock. Silver Spur Ranch Unit No. 2 is immediately south of and contiguous to Unit No. 1 (Exhibit No. 1A). Applicant proposes to finance the mains in Unit No. 2 by advances from the subdivider, Panorama Builders, Inc., in accordance with its main extension rule which will be filed pursuant to this Commission's requirements. The proposed system will include a 12-inch main along Silver Spur Trail from Silver Spur Ranch Unit No. 1 to the southern boundary of Unit No. 2. The applicant proposes, within three or four months, to extend the 12-inch main from the southern end of Unit No. 2 to a reservoir near the southern boundary of the service area and located at an altitude of 745 feet (Exhibit No. 1A). This 12-inch main will pass through

the Harris and Crosby properties. Ultimately, applicant proposes to install a 500,000-gallon reservoir. At the outset of operations, however, it plans to install a 200,000-gallon reservoir. It also plans to have a second well and pump in approximately the center of the east edge of the proposed service area connected through a 12-inch main to applicant's proposed 12-inch main on Silver Spur Trail. The proposed system south of Unit No. 2 will cost approximately \$60,000, including a well and pump at an estimated cost of \$9,000, a 200,000-gallon storage tank at an estimated cost of \$17,000, and 8500 feet of 12-inch main at an estimated cost of \$4.00 per running foot installed. Applicant proposes to finance these improvements through the issuance of additional stock to Panorama Builders, Inc., authorization to issue which will be sought by another and later application. The president of Panorama Builders, Inc., stated that said company is able and willing to purchase stock of applicant for cash with which to finance the construction of said improvements.

The applicant's engineer witness and the staff engineer witness agree that additional storage will be required prior to the extension of service to Unit No. 2, and the staff engineer is of the opinion that at least an additional 21,000-gallon reservoir should be installed to provide service to Unit No. 1 by the end of the first year of operation. This 21,000-gallon reservoir can be obviated if the 200,000-gallon reservoir planned is installed.

Rates

The applicant originally proposed flat rates for all services. During the hearing, however, the applicant amended its application to request meter rates and flat rates as follows:

Meter 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
Over	5,000 cu.ft., per 100 cu.ft.	.....	.15

Minimum Charge:

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

Nonmeter Rates limited as follows:

For each hose bib outlet on not to exceed 3/4-inch pipe, not located on a subdivided lot, 25 cents per month. In parkways, 25 cents per month per hose bib outlet on not to exceed a 3/4-inch pipe, plus 2 cents per square foot per month for each square foot of shrubs, flowers and other planting in said parkway.

The proposed rates appear to be just and reasonable and applicant will be authorized to establish such rates.

The Stock Issue

Applicant requests authority to issue 300 shares of stock to finance the acquisition of the water system and well, to pay organization expenses and engineering costs and to provide working capital.

This request will be granted.

Conclusion

From the record herein it appears, and we find, that the water system and water supply to be acquired by applicant are sufficient for its operations for not to exceed one year but that at or prior to one year it will be necessary for applicant to provide additional storage capacity of not less than 21,000 gallons. Inasmuch as applicant proposes within said one-year period to add a well and a 200,000-gallon or more storage tank and to interconnect the existing well, the proposed well, and the proposed storage tank together through a system of 12-inch mains, a requirement will be included in the order herein that said improvements be added to applicant's system within said one-year period. It further appears, and we find, that applicant's proposed rates are not excessive and that it should be permitted to file a schedule of rates as proposed, provided that its operations shall be reviewed at the end of its first full year of operations.

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 to applicant as requested. The certificate granted is subject to the following provision of law and to the conditions set out in the order herein:

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 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 such expenditures are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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

The order which follows will provide for the filing of the schedule of rates proposed by the applicant.

O R D E R

An application having been filed, public hearings 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 said findings,

IT IS ORDERED:

1. That Silver Spur Ranch Water Co., 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 hereinbefore. The certificate herein granted is subject to the following conditions:

- (a) That within not to exceed one year from the effective date of this order, applicant shall construct and place in operation, a well, and a storage tank of not less than 200,000-gallon capacity, and shall interconnect said well and storage tank to its system in Silver Spur Ranch Unit No. 1 through a 12-inch main. Said improvements, outside of the southern boundary of proposed Silver Spur Ranch Unit No. 2, shall be financed by the issuance of applicant's capital stock to Panorama Builders, Inc.

(b) Applicant shall obtain a water supply permit as required by the Health and Safety Code of California prior to the sale of water pursuant to this certificate, and shall file a copy of such permit with this Commission within ten days of its issuance.

2. That applicant, within ninety 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, operating expenses, taxes, depreciation, rate base and rate of return.

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 service is first rendered to the public, 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 upon five days' notice to the Commission and to the public.

4. That the 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 400 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 the applicant, after the effective date hereof, may issue not to exceed 300 shares of its \$100 par value capital stock to the parties and for the purposes specified in the foregoing opinion.

6. That none of the shares of stock authorized by paragraph 5 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 the written consent of the Commission shall have been obtained so to do.

7. That the 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.

8. That beginning with the year 1957, applicant shall determine depreciation expense by multiplying the depreciable capital by a rate of 3.6 percent. This composite rate shall be reviewed, using the straight line remaining life method whenever substantial changes in depreciable fixed capital occur and at intervals of not more than five years, and applicant shall revise the above composite rate in conformance with such reviews. Results of the reviews shall be submitted in writing to the Commission.

9. That the authority herein granted shall expire if not exercised within one year after the effective date hereof.

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

Dated at San Francisco, California, this 14th day of May, 1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Matthew J. Dooley 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

Unincorporated territory including subdivisions known as Silver Spur Ranch Units Nos. 1 and 2, and Silver Spur Ranch Estates, and vicinity, approximately 13 miles southeasterly of Palm Springs, Riverside County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
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
Over 5,000 cu.ft., per 100 cu.ft. ....	.15

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.

Schedule 9 FL

LIMITED SPRINKLING FLAT RATE SERVICEAPPLICABILITY

Applicable only to flat rate service furnished to Panorama Builders, Inc., for sprinkling parkways and landscaped areas not a part of any subdivided lot.

TERRITORY

Unincorporated territory including subdivisions known as Silver Spur Ranch Units Nos. 1 and 2, and Silver Spur Ranch Estates, and vicinity, approximately 13 miles southeasterly of Palm Springs, Riverside County.

RATE

	<u>Per Service Connection Per Month</u>
For each hose bib outlet	\$0.25
a. In addition, for all irrigation or sprinkling of shrubs, flowers or other planting in parkways payable throughout the year, per square foot of cultivated area	0.02

SPECIAL CONDITIONS

1. The above flat rate charge will apply only to 3/4-inch service connections and is limited to these connections existing on the effective date hereof.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility for above classification, in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.