

ORIGINAL

Decision No. 57337

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 FONTANA RANCHOS WATER COMPANY, a
 California corporation, for an
 order authorizing an extension of
 its certificate of public convenience
 and necessity and to establish its
 rates in the territory so requested
 for certification.

Application No. 39874
 Amended

Best, Best & Krieger, attorneys, by James H. Krieger
 and Richard Edrall, for applicant.
Everett L. Clark, consulting engineer, for Lytle
 Creek Water and Improvement Company, Erne A.
Wright, manager, for Fontana Union Water Company;
John E. Skelton, vice president and attorney,
 for San Gabriel Valley Water Company;
Edward J. Soehnel, Walter J. Pawelak and
Mrs. Albert W. Orr, in propria personae;
 interested parties.
James G. Shields and William G. Tee, for the Com-
 mission staff.

O P I N I O N

Fontana Ranchos Water Company, a corporation, by the above-entitled application filed March 5, 1958, as amended April 16, 1958, seeks authority to extend its water system into an area northwest of its presently certificated area, southwest of Riverside Avenue and east of Sierra Avenue, in unincorporated territory of San Bernardino County, north of Highland Avenue and the City of Fontana as shown on the maps, Exhibits "A" and "C", attached to the application.

A public hearing was held before Examiner Stewart C. Warner on August 7, 1958, at Fontana. No protests were entered and the

matter was submitted on said date subject to the filing of a corrected map, Exhibit No. 1, showing applicant's certificated area, its existing service area, and the area proposed herein to be certificated. Said map has been received and the matter is now ready for decision.

General Information

Fontana Ranchos Water Company was organized on December 17, 1947, and by Decision No. 42324, dated December 21, 1948, in Application No. 29628, was granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area delineated on the maps, Exhibits Nos. 3 and 4 of the proceeding in said application, and more particularly delineated by metes and bounds by Exhibit No. 5 in said proceeding. Authority was also granted to issue 18,360 shares of stock, and applicant's present rates for water service were established. Said rates are set forth on Exhibit D attached to the instant application. By Decision No. 45114, dated December 12, 1950, in Application No. 31752, the certificated area was on the northwestern extremity thereof reduced by approximately 100 acres by the exclusion of Lots 25, 27, 29, 31, 33, 35, and 37, Semi-Tropic Land and Water Company.

The record shows that applicant's present service area includes its originally certificated area plus areas contiguous thereto into which water service has been extended, and an area on the east side of Sierra Avenue north of Highland Avenue which is not contiguous to applicant's certificated or service areas in which water service is being furnished to Tri-City Rock Company by special agreement, and also the so-called Woods property to which water

service was furnished as the result of an informal complaint filed by Woods. At the present time water service is being furnished to 171 domestic, commercial and industrial customers. All water service is metered and is furnished under applicant's general metered service Schedule No. 1.

Applicant's service area comprises rural residential properties and some commercial and industrial properties. The rural residential properties are, except for a subdivision north and south of Bohnert Avenue, east of Maple and west of Linden Avenues, 6-acre parcels, on the average, of chicken and rabbit ranches, and some horse ranches. Said properties are not suitable for agricultural properties because of the rocky nature of the soil. The service area lies on a broad, flat plain extending southerly from Riverside Avenue to Highland Avenue from the base of the San Gabriel Mountains. Applicant has extended its water service westerly of Locust Avenue, north of Bohnert Avenue, to serve a mushroom farm, one other commercial customer, and 4 or 5 other domestic residential customers, and north of Persimmon Avenue on the west side of Locust, comprising the SW $\frac{1}{2}$ of Section 21, where applicant furnishes water service to the B. F. Goodrich Company for its missile fuel plant which consists of 50 industrial buildings. The area is zoned for the manufacture of pyrotechnics and explosives and applicant furnishes water service to one small plant manufacturing gopher bombs.

The area proposed to be certificated is partly owned by North Fontana Land Company of which Edward J. Soehnel is the

president and was formerly president and the sole owner of applicant's stock. The other part of the proposed area is owned by Johnson, Inc., which now owns all of applicant's stock. Johnson, Inc., controls Southern Finance Company which has an interest in Sun Gold, Inc., subdividers, which has an interest in Highlanders Water Company, a public utility corporation, operating east of the City of Riverside in the vicinity of the University of California at Riverside.

Applicant's officers are as follows: W. R. Fuller, president; Frank Schmidt, vice president; Earl G. Corkett, vice president; Roy De La Mare, secretary. All of said officers are directors except the secretary, and a Mr. Rentch is a director but not an officer. The officers of Johnson, Inc., are: W. R. Fuller, president; Earl G. Corkett, vice president; R. H. Walters, vice president; G. H. Mills, secretary; Roy De La Mare, assistant secretary; and J. L. Simpson, assistant secretary. Messrs. Fuller and Corkett, and Mesdames Fuller and Corkett are directors, as well as Messrs. Schmidt and Rentch of applicant's officers and directors. R. H. Walters is president of Sun Gold, Inc., and Highlanders Water Company.

Applicant's owners, Johnson, Inc., employ Albert A. Webb, consulting engineer of Riverside, to operate and manage applicant's water system, and John Von Rader, Jr., water superintendent and manager of Highlanders since 1955, also manages applicant's system. Two service men are employed in applicant's area to handle service matters and read meters, and Mrs. Von Rader prepares the monthly bills. Applicant's accounting work is performed in San Pedro at

the offices of Johnson, Inc. The salaries of applicant's officers are charged to applicant by Johnson, Inc., on the basis of time spent by them on applicant's operations.

Exhibit No. 10, a report on applicant's operations submitted by Commission staff engineering and accounting witnesses, shows, in Chapter 2 thereof, that the deficit balance in applicant's earned surplus account, as of December 31, 1957, was \$26,994.20 and was adjusted on a pro forma basis to \$39,204.37. Said deficit was composed of net losses incurred from July 31, 1947 to December 31, 1957.

Applicant's secretary, and assistant secretary of Johnson, Inc., as noted hereinbefore, testified that Johnson, Inc., was willing and prepared to finance all of applicant's costs necessary to be incurred for the construction of facilities to serve the proposed area. Said witness testified that Johnson, Inc.'s present net worth exceeded \$500,000 of liquid assets.

Source of Water Supply

Applicant's present source of water supply consists of its well No. 3 which is equipped with a 10-HP motor and pump with a production capacity of 170 gallons per minute, and its well No. 1 adjacent to its well No. 3 which is equipped with a pump and motor with a dependable production capacity of about 21 gallons per minute. The location of said wells is shown on the map, Exhibit No. 1, and is in the northernmost portion of the certificated area on Lot 35. Two storage tanks with capacities of 21,000 gallons and 55,000 gallons, totaling 76,000 gallons, situated at an elevation of

1,850 feet, are also located on said lot and water is pumped directly into said tanks and flows by gravity through 6-, 4-, and 2-inch pipe lines through the service area. Two pressure regulators are located at an elevation of 1,600 feet and they reduce the pressure to customers located at lower elevations. A 5,000-gallon steel hydrostatic tank is located on a 2-acre parcel at Vineyard and Linden at the southernmost portion of the service area, and said tank reduces the surge through the regulators and maintains a small quantity of storage at its location.

Applicant also owns its well No. 2 located at the site of the hydrostatic tank but the pump in said well was removed in the year 1955 and this well has not been used as a source of water supply since that date. Case No. 81624 in the Superior Court of San Bernardino County, dated February 25, 1955, is a complaint for declaratory and injunctive relief filed by Lytle Creek Water and Development Company vs. Fontana Ranchos Water Company, Highland Avenue Water Company, Citizens Land and Water Company, City of Rialto, City of Colton, and several John Does, seeking adjudication of the water rights of the so-called Rialto Basin in which applicant's well No. 2 is located. No order nor decree has been issued by the court in said complaint although an engineer's report has been prepared and the complainant is seeking a stipulated agreement of settlement. Applicant has not agreed to such stipulation, and the matter is still pending.

Applicant's engineering witness testified that, based on the annual water usage for the year 1957 of 3,064,200 cubic feet which equates to 70.34 per acre-foot annual use, and based on the

assumption that the balance of applicant's service area and the proposed area would be developed on an average 6-acre parcel basis with water requirements similar to applicant's 171 customers, applicant's present sources of water supply are adequate not only for its present service area but for the proposed area. He further testified that it was his opinion that the size of the pump in applicant's well No. 3 could be increased and that the production of such well could be increased by about 10 gallons per minute to possibly 180 gallons per minute. He also testified that applicant would need 200,000 gallons of storage between the lower and upper portions of its service area, and that a booster pump and pressure tank would be needed in the proposed area at elevations higher than the wells and the storage tanks.

Applicant's witness further testified that, in his opinion, well No. 2 could and should be used as a source of water supply.

Applicant's Operating Record

The record shows that applicant has extended its water system into areas not contiguous either to its certificated or its service area, in at least two instances, without securing authority therefor from the Commission in accordance with Section 1001 of the Public Utilities Code; that applicant has effected agreements with Tri-City Rock Company and Manor Gardens Mushroom Farm and five individuals in the Igloo Avenue area which deviate from its main extension rule and its tariffs; that applicant accepted 29½ shares of stock in Lytle Creek Water and Improvement Company, a mutual water company in the area, from Southern Finance Company as a consideration, amounting to \$3,427.50, of its willingness, expressed by

letter, to serve water to 38 acres at the N/E corner of Highland and Linden Avenues, and 85 acres on the south side of Highland Avenue one-quarter of a mile east of Linden Avenue; that both of such acreages are outside applicant's service area and noncontiguous thereto; that applicant has required a deposit of \$6.00 by customers for establishing their credit; that such charge does not conform to applicant's Rule No. 6; that applicant is charging B. F. Goodrich Company \$51.00 per month for a 4-inch and a 6-inch compound meter at said company's plant, but that no such charge is provided for in applicant's filed tariffs; and that other unauthorized main extension, tariff, and bookkeeping practices are disclosed in Exhibit No. 10.

Applicant's counsel stated that applicant intended to cease the improper practices hereinbefore noted, to correct those which should and could be corrected, and to operate henceforth pursuant to the Commission's orders. The record shows that Johnson, Inc., became the new owners and managers of applicant in September, 1957.

Findings and Conclusions

It is evident from the record that applicant's operating practices have been in violation of its tariffs and rules and in violation of Section 1001 of the Public Utilities Code. It is further evident that the area sought herein to be certificated has no immediate firm prospects of sales of property or development of subdivision, or construction. The Commission recognizes that applicant's owners and former owners cannot commence to subdivide or develop their properties under the rules of the Real Estate Commission without being able to show such Commission that an

adequate source of water supply is available to their properties, and that is the intent of the application herein.

In view of the past improper practices of this utility and the lack of a definitive showing by the applicant as to how such practices will be rectified, a certificate of public convenience and necessity will not be granted at this time. If applicant wishes further consideration of its request, it may, by appropriate application, set forth its definitive intentions with respect to the following points:

1. On what basis service is to be continued to the areas now being served outside its lawfully certificated and service areas where such services are noncontiguous thereto.
2. What steps have been and are being taken to rectify and eliminate unauthorized deviations from filed tariffs.
3. Engineering plans for increasing the source of water supply, proposed storage and booster facilities, and major distribution lines.
4. The means of financing the expansion of the system.

O R D E R

Application as above entitled, as amended, having been filed, public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that the application of Fontana Ranchos Water Company, a California corporation, for an order

authorizing an extension of its certificate of public convenience and necessity, be and it is denied.

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

Dated at San Francisco, California, this 15th day of September, 1958.

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