

ORIGINAL

Decision No. 57723

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JENSEN WATER COMPANY,
 a California corporation, to establish
 and operate a water system near the
 City of Cabazon, County of Riverside,
 State of California, and to establish
 rates.

Application No. 39235

Merrill Brown, for applicant.
Maurice Sherill, for Coachella Valley County
 Water District, Carl Johnson and G. A.
 Bailiff, for Cabazon Water Company;
Maurice B. Hawkins, for the Riverside
 County Health Department; Alexander W.
 Staples for James E. Wright, Jr.,
 interested parties.
Donald Steger and A. L. Gielegem, for the
 Commission's staff.

O P I N I O N

By the application herein, filed on July 12, 1957, and amended by amendments filed on July 27, 1957, and October 30, 1958, applicant, a California corporation, seeks a certificate of public convenience and necessity to construct and operate a domestic public utility water system in the City of Cabazon, Riverside County, California, the initial service area of which is described as follows:

Section 23, T3S, Range 2E, SBB&M, and that part of the northeast $\frac{1}{2}$ of Section 22, T3S, Range 2E, except the northerly 60 acres thereof.

Applicant also seeks to establish rates and to issue stock.

The County of Riverside does not require that the applicant secure a franchise to provide water service.

Public hearings on the application were held in Palm Springs, California, before Commissioner Ray E. Untereiner and Examiner Kent C. Rogers on December 23, 1957, and November 5, 1958. On the latter date the matter was submitted subject to the filing of Exhibits Nos. 11 and 13 within twenty days. These exhibits have been filed and the matter is ready for decision.

Applicant is a California corporation formed primarily for the purpose of furnishing domestic water in the County of Riverside, California. Its articles of incorporation were filed with the Secretary of State of California on May 1, 1957. It is thereby authorized to issue 15,000 shares of stock having a par value of \$10 each, for a total par value of \$150,000. The first directors are L. Dee Tallent, Lou E. Tallent and Vella C. Tallent. The officers of the corporation are L. Dee Tallent, President, Vella C. Tallent, Vice President, and Lou E. Tallent, Secretary-Treasurer. Any stock to be issued will be issued to one or more of the officers of the corporation.

The Service Area.

Applicant requests authority to serve all of Section 23 which is an odd-sized section containing approximately 760 acres, and a major portion of the Northeast $\frac{1}{2}$ of Section 22, both Township 3 South, Range 2 East, SBB&M, in Riverside County. The testimony shows that due to the hilly nature of the requested service area approximately 200 acres only are usable for homesites. At the outset applicant

proposes to provide service to a subdivision in the City of Cabazon which subdivision is known as Cabazon Estates and consists of 145 lots varying in size from approximately 330 feet by 330 feet to approximately 450 feet by 120 feet (Exhibit A on the Second Amendment to the application). This subdivision slopes upward approximately 40 feet from the northern boundary to the southern boundary. Ten houses have been constructed in this area (see Exhibit A on the original application), and the inhabitants thereof are temporarily receiving water through a connection to an old existing gravity system owned by L. Dee Tallent. The transmission main from this gravity system is completely deteriorated and no water supply permit has been issued for this source of supply. The applicant does not propose to continue its use for public utility water service and would not be permitted to do so unless substantial improvements were made and a water supply permit was issued. The Club Cabazon is located adjacent to the northeast corner of the Cabazon Estates tract and will also be served by the applicant. There is no competing domestic water system in the vicinity.

The Proposed System and Water Supply.

There is an existing well in the vicinity of the Club Cabazon in the northeast corner of the proposed service area and immediately east of the Cabazon Estates tract (Exhibit A on the Second Amendment to the Application). This well is nine inches in diameter and 500 feet deep. It will be the sole original source of supply. Equipped with a 60-hp electric motor, the well produced 500 gallons of water per minute with no drawdown in a 60-day continuous test in November and December, 1957 (Exhibit No. 9). The test motor was a used motor. It is to be replaced with a new 40-hp motor, and, with the same pump, the well is expected to produce the same amount of water. This well is connected to a 30,000-gallon storage tank and a 5,000-gallon pressure tank. The storage tank has a booster pump

which will fill the pressure tank in five minutes. In addition to the well, pumps, and tanks, there are presently installed 400 feet of 4-inch main from the booster pump to the Club Cabazon, and 800 feet of 3/4-inch service pipe presently used to provide water to the ten residences now securing water from the existing obsolete system. At the outset of operations applicant proposes to install 6,200 feet of 8-inch dipped and wrapped steel main and 1,200 feet of 4-inch dipped and wrapped steel main (Exhibit A on the Second Amendment to Application). These latter mains have been ordered and are to be delivered in approximately three weeks from the date of the last hearing (Exhibit No. 10). All pipe on order is of a gauge not meeting the requirements of General Order No. 103, and applicant will change the order to comply therewith. The ten existing services will be connected to the 4-inch main (Exhibit A on the Second Amendment to the Application).

All services are to be metered.

The nearest public utility water company in the vicinity is the Cabazon Water Company, approximately two miles northwest of applicant's proposed service area. Applicant's rates will be the same as those of the named company.

Applicant's water supply of 500 gallons per minute, together with its 30,000-gallon storage tank, appears adequate for service to the Cabazon Estates tract which contains 145 lots and the Club Cabazon which is expected to use not to exceed 15,000 gallons of water per day. Prior to the extension of service beyond the Cabazon Estates tract and the Club Cabazon, however, applicant

should develop an additional source of water supply. Applicant will be restricted to service to the Club Cabazon and Cabazon Estates tract until such time as an enlargement of the service area may be authorized by the Commission. The Riverside County Health Department has approved the purity of the water supply from the well.

Financing.

The corporate officers propose to contribute cash in exchange for applicant's \$10 par value common stock for the purpose of providing applicant with working cash and funds with which to acquire the above-referred to existing facilities and the proposed 4-inch and 6-inch mains.

The applicant proposes to acquire for the sum of \$25,000 the well, the well site, the pump and motor, the storage and pressure tanks, booster pump, the fittings and connections and 400 feet of 4-inch main from the booster pump to the Club Cabazon. These items, excepting the well pump, are approximately 2 years old. The well pump motor is to be replaced prior to the transfer to applicant with a new one of 40 horsepower. In addition, as part of its initial system applicant will purchase 6,200 feet of 8-inch double-dipped and wrapped steel main at an estimated cost of \$1.63 per foot, or a total cost of \$10,106, and 1,200 feet of 4-inch dipped and wrapped steel main at an estimated cost of \$1.05 per foot, or a total cost of \$1,260. Applicant also proposes to acquire the 800 feet of 3/4-inch galvanized connections for the 10 existing customers. These connections are approximately 2 years old and cost 25 cents per foot installed, or a total cost new of \$200. The total estimated cost

new of all facilities and supplies to be acquired by the applicant is approximately \$36,566. Applicant also desires \$5,000 working cash which will include funds to pay for the costs of installations. Applicant will be authorized to issue not to exceed 4,000 shares of its \$10 par value stock to the present officers of the corporation for the purpose of acquiring the assets referred to and to provide working cash.

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Rates.

Applicant proposes the following schedule of rates:

	<u>Per Meter per Month</u>
<u>Quantity Rates:</u>	
First 700 cu. ft. or less	\$ 3.50
Next 3,300 cu. ft., per 100 cu. ft.30
Next 6,000 cu. ft., per 100 cu. ft.15
Over 10,000 cu. ft., per 100 cu. ft.10
<u>Minimum Charge</u>	
For 5/8 x 3/4-inch meter	\$ 3.50
For 1-inch meter	7.00
For 2-inch meter	10.00
For 3-inch meter	12.50

The minimum charge will entitle the consumer to the quantity of water which the monthly minimum charge will purchase at the quantity rates.

No flat rates are proposed.

The metered rates are identical with the rates of the Cabazon Water Company.

Conclusion.

From the record herein it appears and we find that public convenience and necessity require the granting of the certificate of

public convenience and necessity as hereinafter set forth, subject to the conditions set forth in the order herein and to the following provision of law:

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.

It further appears, and we find, that applicant should be permitted to file the schedule of rates as proposed.

The Commission is of the opinion, and finds, that the money, property, or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purposes herein specified, and that such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant, and that the approval herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

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 that Jensen Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water company in the following described area and place:

- a. Cabazon Estates tract, being a subdivision of a portion of the NE $\frac{1}{2}$ of Section 22 and the NW $\frac{1}{2}$ of Section 23, Township 3 south, Range 2 east SBB&M, Riverside County, California, in the City of Cabazon, which tract contains 145 lots.
- b. Club Cabazon.

Applicant shall not extend service beyond the boundaries of said tract and to other than said Club Cabazon without further authority from this Commission.

IT IS HEREBY FURTHER ORDERED:

(1) That Jensen Water Company shall, prior to exercising the authority hereinafter granted, notify this Commission in writing of the date its well is equipped and placed in operation and the distribution facilities to existing services have been replaced.

(2) That Jensen Water Company be, and it is, authorized to file, after compliance with paragraph (1) herein, 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 the 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 Jensen Water Company shall notify this Commission in writing of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

(4) That Jensen Water Company 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 principal water production, storage and distribution facilities, and the location of the various water system properties of the applicant.

(5) That Jensen Water Company shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals as of January 1 of the year following the date service is first rendered to the public under the rates and rules authorized herein, and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

(6) That Jensen Water Company, after compliance with paragraph (1) herein, may issue not to exceed 4,000 shares of its \$10 par value stock to its present officers at the rate of \$10 per share, for the purposes specified in the foregoing opinion. *dele*

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

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

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

Dated at San Francisco, California, this 16th day of December, 1958.

E. Lyn Fox
 President

Ralph W. ...

Michael ...

Leonard ...

Commissioners

Commissioner Peter E. Mitchell - being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The subdivision known as Cabazon Estates, and Club Cabazon; located within the corporate limits of the City of Cabazon, Riverside County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 700 cu. ft. or less	\$ 3.50
Next 3,300 cu. ft., per 100 cu. ft.30
Next 6,000 cu. ft., per 100 cu. ft.15
Over 10,000 cu. ft., per 100 cu. ft.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	5.00
For 1-inch meter	7.00
For 1 1/2-inch meter	8.00
For 2-inch meter	10.00
For 3-inch meter	12.50

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