

ORIGINAL

Decision No. 58191

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The Application of PANORAMA HEIGHTS)	
WATER CO., INC., a California cor-)	
poration, to operate a water system)	Application No. 40434
at Panorama Heights in San)	Amended
Bernardino County; to establish)	
rates; and to issue a \$29,000 note.)	

Haskell H. Grodberg, for applicant.
Clyde F. Norris and William G. Tee,
 for the Commission staff.

O P I N I O N

By the application herein, filed on September 12, 1958, and amended by amendments filed on November 28, 1958 and January 27, 1959, Panorama Heights Water Co., Inc., a California corporation, seeks a certificate of public convenience and necessity to construct and operate a domestic public utility water system in the unincorporated area known as Panorama Heights, San Bernardino County, California, which area is legally described as the W½ of Sec. 35 and the E½ of the NE½ of the SE½ of Sec. 34, both in T.1 N., R.7 E., S.B.B. & M., San Bernardino County.

Applicant also seeks authority to establish rates and to issue stock and a promissory note.

Applicant's president testified that no franchise is presently required by the County of San Bernardino and that if any franchise is required it will be secured and an application filed with this Commission for authority to exercise it.

A public hearing on the application was held in Twentynine Palms before Examiner Kent C. Rogers on January 21, 1959, and the matter was submitted subject to the filing of an amendment to the application. This amendment has 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 San Bernardino, California. Its Articles of Incorporation were filed with the Secretary of State on July 31, 1958. It is thereby authorized, among other things, (1) to issue promissory notes, and (2) to issue 2,500 shares of no par value stock. The directors are Ion A. Lachman, Elsie L. Lachman and Clyde E. Roland. The same individuals are the officers of the corporation. Any stock to be issued will be issued to one or more of said officers.

The Service Area

The service area comprises 340 acres consisting of 320 acres in the W $\frac{1}{2}$ of Section 35, and 20 acres in Section 34 contiguous to said one-half section. The area is fairly level, having a gradual slope downward from the south to the north. The north side of the area fronts on the Twentynine Palms Highway and is approximately 10 miles west of Twentynine Palms. At the time of the hearing herein 31 customers were being served with water by applicant. These 31 consumers consist of one 8-unit motel (owned by the incorporators Ion A. Lachman and Elsie L. Lachman, husband and wife), two combination business and residence establishments, and 28 individual homes, including one home in the 20-acre ranch in Section 34. The portion of the certificated area which will be

improved will probably consist of Tracts Nos. 3691 and 5196 in Section 35 and the 20-acre area in Section 34, which is owned by Isabel Sturdevant. To allow for future expansion the applicant requests authority to serve the full one-half of Section 35. Exhibit No. 1 herein shows the location of the two subdivisions and the proposed service area boundary. When the service area is developed there will be in the two numbered tracts approximately 200 connections consisting of 31 commercial and 169 residential customers. Each lot in the numbered subdivisions is slightly over one acre in size and the entire area has been zoned by the Board of Supervisors of San Bernardino County to permit one home per one-half acre. This means that there could be 338 residential consumers plus the business users on the 31 commercial lots when the two subdivisions are fully developed. All but two or three of the subdivided lots have been sold.

The Proposed System and Water Supply

There is a water system in the two numbered tracts with an extension to the 20-acre ranch. This system is depicted on Exhibit No. 1, and the maps of the tracts on Exhibit "A" on the original application. The system includes a well capable of producing 170 gallons of water per minute with the present pumping equipment. This pump is powered by a gas engine, and applicant plans in the future to substitute an electric motor and use the gas engine as stand-by power. With the existing connections and storage facilities it is only necessary to run the pump eight hours per week pumping 170 gallons of water per minute. Water is pumped directly into the system or into a 20,000-gallon steel storage tank.

For service to the higher levels (the south end of the service area) a booster pump forces water into a 10,000-gallon storage tank located at the south end of the service area. Water is distributed into the service area by a system of 4-inch mains. Some of these mains do not comply with General Order No. 103, but the staff engineer stated that due to the nature of the soil and the quality of the water the facilities are generally adequate for economic service lives. The applicant is placed on notice that all future installations must comply with at least the minimum standards prescribed by General Order No. 103 unless and until the applicant has justified any deviations therefrom and the Commission has authorized such deviations.

All services are to be metered.

The nearest water company to the proposed service area is four miles distant (Exhibit "A" on the amendment to the application) and there was no evidence at the hearing to show any basis for comparison of the cost of water here and in any other area.

The staff engineer testified that the present water supply is adequate for not to exceed 200 residential or small-business consumers. The subdivided portion of the proposed area is divided into 169 one-acre parcels and 31 commercial lots but the San Bernardino Building Code allegedly permits the sale of one-half-acre parcels in the area. One-half-acre developments would permit the existing service area to be divided into approximately 370 lots. In view of this situation applicant should develop an additional supply of water when necessary.

Water pressures in the service area with the existing system are within the limits prescribed by General Order No. 103; the minimum pressure being 30 pounds and the maximum pressure approximately 100 pounds.

Applicant will be required to initiate action to secure a water supply permit from the County of San Bernardino.

Applicant proposed to charge, in addition to the rates referred to hereinafter, the sum of \$30 for each service connection. Such proposal violates General Order No. 103, Rule V, Subparagraph 2a(2). The applicant will be required to comply with said general order in so far as ownership of meters, service pipes and appurtenances are concerned and shall make no charge therefor.

Financing

There is an existing system consisting of a well and pumping plant located on Lot 7 of Tract No. 3691, a 20,000-gallon storage tank located on the southerly 60 feet of the westerly 120 feet of Lot 108 of Tract No. 3691, a 10,000-gallon storage tank located on a parcel of land adjacent to the southeast corner of Tract No. 5196, being 90 feet by 36.21 feet, a booster pump, mains, pipelines, valves, and other personal property and easements, well sites, pump sites and other facilities necessary for operating and maintaining the system. The physical assets are valued by applicant at \$29,000, broken down as follows:

2	Storage tanks	\$ 2,950
3	Parcels of land, including the well and tank sites, plus the easements for pump lines and rights of way valued at	2,000
	Well and pumping equipment	2,000
	21,120 feet of 4-inch pipe plus valves, fittings and fire hydrants ..	22,050
	Total value	\$29,000

As indicated in the staff's exhibit, the original cost of these and other utility properties totaled \$39,891.67 as of December 31, 1958.

This property is presently owned by Ion A. Lachman, Elsie L. Lachman and Clyde E. Roland. These persons propose to transfer the assets to the applicant in exchange for the issuance by the corporation to Ion A. Lachman and Elsie L. Lachman of a demand promissory note in the principal sum of \$15,000,¹ together with interest at 7 per cent per annum on the unpaid balance, a copy of which is attached to the amended application and marked Exhibit "B", and 100 shares of no par value common stock of the applicant, which 100 shares of stock are to be issued to the three incorporators and officers in partial consideration for the assets above referred to and the sum of \$1,000 cash to be used as working cash. Applicant will be authorized to issue not to exceed 100 shares of its no par value common stock to the present officers of the corporation in exchange for the assets of the water system and \$1,000 in cash. Applicant is not required to obtain Commission approval for the issue of a demand note.

Rates

Applicant proposes a schedule of rates as follows:

Quantity Rates:	<u>Per Meter Per Month</u>
First 500 cu.ft. or less	\$3.00
Next 3,500 cu.ft., per 100 cu.ft. ..	.50
Next 16,000 cu.ft., per 100 cu.ft. ..	.40
Over 20,000 cu.ft., per 100 cu.ft. ..	.30
Minimum Charge for 5/8 by 3/4-inch meter ...	3.00

Applicant's witness did not propose any rates for any size connection other than a 5/8 by 3/4-inch meter. However, inasmuch as there will be commercial establishments in the area, a set of rates

¹ The company originally sought permission to issue a \$29,000 note but in its amended application reduced the amount to \$15,000.

will be authorized herein which include charges for large size meters. The applicant does not propose any nonmetered rates.

Under the above proposed rates the staff, in its Exhibit No. 2, estimated that at such time as applicant was serving 100 customers with each paying an average monthly bill of \$3.50 it would realize a \$307 loss.

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 shall be permitted to file the schedule of rates as proposed and set out in the order herein.

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 specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

In issuing our order herein we place applicant and its shareholders on notice 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 any future rate base for the determination of just and reasonable rates.

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 on said findings:

IT IS ORDERED:

That Panorama Heights Water Co., Inc., 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. The $W\frac{1}{2}$ of Sec. 35, T.1 N., R.7 E., S.B.B.& M., San Bernardino County.
- b. The $E\frac{1}{2}$ of the $NE\frac{1}{2}$ of the $SE\frac{1}{2}$ of Sec. 34, T.1 N., R.7 E., S.B.B.& M., San Bernardino County.

IT IS HEREBY FURTHER ORDERED:

1. That 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 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 after filing as hereinabove provided.

2. That within sixty days after the effective date of this order applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 150 feet to the inch, delineating by appropriate markings the various tracts of land and the territory served, the principal water

production, storage and distribution facilities and the location of the various water utility properties of applicant.

3. That applicant 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 applicant shall immediately initiate action to secure a water supply permit and shall advise the Commission in writing within sixty days after the effective date of this order and every sixty days thereafter of its status in acquiring such permit until it has been obtained.

5. That beginning with the year 1959, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.1 per cent. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

6. That Panorama Heights Water Co., Inc., may issue not to exceed 100 shares of its no par value stock for the purposes specified in the foregoing opinion.

7. That Panorama Heights Water Co., Inc., shall file with the Commission monthly reports as required by General Order No. 24A, which order in so far as applicable is hereby made a part of this order.

8. The request of Panorama Heights Water Co., Inc., to issue a demand note is dismissed for lack of jurisdiction.

9. That the authority herein granted will become effective twenty days after the date hereof.

Dated at San Francisco, California, this 10th day of March, 1959.

E. J. Fox
President
W. L. [unclear]
William [unclear]
Frederic [unclear]
Ernest [unclear]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Panorama Heights and vicinity, located approximately 10 miles west of Twentynine Palms, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 3.00
Next 3,500 cu.ft., per 100 cu.ft.50
Next 16,000 cu.ft., per 100 cu.ft.40
Over 20,000 cu.ft., per 100 cu.ft.30
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.50
For 1-inch meter	7.00
For 1 1/2-inch meter	15.00
For 2-inch meter	25.00
For 3-inch meter	40.00
For 4-inch meter	60.00

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