

ORIGINAL

Decision No. 58126

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CATHEDRAL CITY WATER COMPANY, a  
corporation, for a certificate of  
public convenience and necessity to  
extend its water corporation opera-  
tions in the vicinity of Cathedral  
City, Riverside County, California

}  
}  
}  
}  
}

Application No. 40188

Gordon, Knapp, Gill & Hibbert, by Wyman C. Knapp,  
for applicant.  
Harold P. Machen, for Joseph Patencio, guardian for  
Ruth Patencio, Priscilla Patencio Gonzales,  
mother of Debra Gonzales, Tramview Water Co.,  
protestants.  
James G. Shields and A. L. Gielegem, for Commission  
staff.

O P I N I O N

By Decision No. 17290, dated August 27, 1926, in Applica-  
tion No. 12988 (28 C.R.C. 494) Cathedral City Water Company, a  
corporation, was authorized to render service as a public utility  
water company in that portion of Riverside County, California,  
described as the E½ of Section 33, T4S, R5E, SBB&M. By the applica-  
tion herein, filed on June 18, 1958, and amended by an amendment  
filed on November 20, 1958, Cathedral City Water Company, the  
applicant herein, seeks authority to extend its service area to  
include all of Sections 28 and 32, W½ of Section 34, S½ of the SW¼  
of Section 27, all in T4S, R5E, SBB&M., and those portions of  
Sections 4 and 5, T5S, R5E, SBB&M, and bounded by flood control

channels as shown in Appendix "A" attached to the application herein. Since its original certification applicant has extended its service area to include certain territories contiguous to its certificated area, but inside the proposed certificated area.

A public hearing in the application was held in Palm Springs, California, on December 4, 1958, before Commissioner R. E. Untereiner and Examiner Kent C. Rogers. Prior to the hearing notice thereof was published as required by the Commission. Protests were entered on behalf of certain Indians owning interests in land in Section 28 only.

All the stock of applicant is owned by the Palm Springs Water Company. The stock of the Palm Springs Water Company is mainly owned by Harold J. Hicks. Harold J. Hicks is the president of the applicant corporation. The applicant's present and proposed service area is shown on Exhibit No. 2, and the service area in relation to other companies in the area is shown on Exhibit No. 1. Applicant has grown from 308 consumers in 1948 to 832 consumers in 1958. Outside of its certificated area it had, on November 30, 1958, in T4S, R5E, four consumers in Section 28, 235 consumers in Section 33 (west half thereof), and eight consumers in Section 34. In T5S, R5E, it had 140 consumers in Sections 4, and 11 in Section 5. All consumers in Section 28 are in the south central portion thereof, and all consumers in Section 34 are along State Highway 111. The owners of four 10-acre parcels in the S $\frac{1}{2}$  of the SW $\frac{1}{2}$  of Section 27 plan to subdivide this area and desire that the applicant furnish domestic water. The W $\frac{1}{2}$  of Section 33 and the requested areas in

Sections 4 and 5 have been subdivided and improved with 6-inch and smaller transmission and distribution mains. Applicant estimated that 80 percent of its new consumers in the next six months would be from outside the certificated area.

Applicant has three wells located in Section 33. Well No. 2 produces approximately 296 gallons of water per minute, well No. 3 produces approximately 219 gallons of water per minute, and well No. 4 produces approximately 416 gallons of water per minute. The wells are connected with reservoir storage consisting of a 150,000-gallon reservoir, a 40,000-gallon reservoir and a 20,000-gallon reservoir. All three of said reservoirs are steel tanks. The applicant estimated that as presently equipped the wells are capable of supplying water for approximately 1,000 consumers.

The rates in the extended area will be the same as in the certificated area. The County of Riverside does not require that applicant have a franchise.

A controversy arose concerning the service of a Mr. Crossley, doing business as Tramview Water Co. This company operates without a certificate from the Commission and provides service to a 40-acre tract in the NE $\frac{1}{4}$  of Section 28 which section is owned by Indians. With a few exceptions, the land therein has not been released for sale. The greater portion of Section 28 is undeveloped. The protestant Tramview Water Co. is serving a trailer park in the area above described, which trailer park land is leased from the Indian owners. A representative of the Bureau of Indian Affairs testified that this land is from time to time released for a sale to the public, and that it is an aid in the development of the land to have a public utility water company

with authority and ability to serve the land providing service therein. One of the owners of the Tramview Water Co. testified that he and his associate have a 25-year lease on the land in the SE $\frac{1}{2}$  of the NE $\frac{1}{2}$  of Section 28; that they operate a trailer park therein and Tramview Water Co. has a pipeline from Section 29 east across the N $\frac{1}{2}$  of Section 28 to the trailer park, and that he desires that the applicant be kept out of Section 28. The evidence shows that Tramview Water Co. has authority from the Bureau of Indian Affairs to run a pipeline across the N $\frac{1}{2}$  of Section 28 on the condition that the company serve all proposed users in the N $\frac{1}{2}$  of the section.

In view of the record herein the Commission is of the opinion and finds that public convenience and necessity require that applicant extend service to the area proposed in the application herein with the exception that applicant will not be authorized to serve the N $\frac{1}{2}$  of Section 28 at this time. If Tramview Water Co. desires to operate as a public utility water company, it will be necessary that it file an application for a certificate.

#### Financing

Applicant proposes two methods of financing the water systems in the requested area: (1) by internal funds on hand, or (2) by the application of the main extension rule.

Applicant's financial structure as of October 31, 1958, (Exhibit No. 6) shows that it then had \$73,633 in advances for construction and \$54,818 of equity capital consisting of common stock and retained earnings. Under applicant's financing plan its capital structure, already consisting largely of debt, will become further unbalanced upon the receipt by it of additional refundable advances. Granted that applicant is a subsidiary of a larger and stronger utility whose officers appear to have ample resources, still we believe applicant should endeavor to establish its own capital

structure in as sound a condition as possible. In our opinion it is in the public interest, looking toward the future, for applicant to arrange its financing so as to obtain a larger amount of equity capital than it now has, or will have under its present plans.

From the record it appears, and we now find, that public convenience and necessity require the granting of the certificate of public convenience and necessity as requested, provided, however, that applicant finance the cost of main extensions to serve subdivisions, tracts, housing projects, industrial developments or organized service districts within its entire service area for the future with internal funds and equity capital by applying the Proportionate Cost Method option of refunding such advances as set forth and permitted by its filed main extension rule until further order of this Commission, rather than by applying the Percentage of Revenue Method of making such refunds. At the same time we place applicant on notice that high costs per consumer which may result from low customer density should not be expected to be met by increased rates to the customers.

The certificate herein granted is subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the 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's authorized rates should be placed in effect in the herein certificated area.

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 upon said findings,

IT IS HEREBY ORDERED that Cathedral City Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct and operate a public utility water company in the following places in Riverside County, California, as extensions of and to be consolidated with its presently certificated operations:

1. The S $\frac{1}{2}$  of Section 28, the W $\frac{1}{2}$  of Section 33, the W $\frac{1}{2}$  of Section 34, and the S $\frac{1}{2}$  of the SW $\frac{1}{2}$  of Section 27, T4S, R5E, SBB&M.
2. Those portions of Sections 4 and 5, T5S, R5E, SBB&M, bounded by flood control channels, as shown by Appendix A to the application herein.

IT IS FURTHER ORDERED:

1. That Cathedral City Water Company, a corporation, is authorized to apply, after the effective date of this order, its presently effective tariff schedule in the area certificated herein.
2. That applicant shall, after the effective date of this order, revise its presently filed tariff schedules, including rules to reflect up-to-date operating practices and service area map, and shall file original tariff sheets containing sample copies of printed forms that are normally used in connection with customers' services, including forms of main extension agreements consistent with the requirements of paragraph 5 herein, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules for water service in the area certificated herein, such revised and original tariff sheets to be effective on or before the date service is first furnished to the public in the area certificated herein. Such revised and original tariff sheets 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 sixty days after service is first furnished to the public in the area certificated herein under the rates and rules authorized herein for said area, four

copies of a comprehensive map drawn to an indicated scale not smaller than 1,000 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 the various water system properties of applicant.

4. That applicant 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 1st 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 for each plant account and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. That applicant shall finance the cost of main extensions to serve subdivisions, tracts, housing projects, industrial developments or organized service districts within its entire service area for the future with internal funds and equity capital by applying the Proportionate Cost Method option of refunding such advances as set forth and permitted by its filed main extension rule until further order of this Commission, rather than by applying the Percentage of Revenue Method of making such refunds.

The authorization herein granted will expire if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of March, 1959.

*[Handwritten signature]*  
\_\_\_\_\_  
President  
*[Handwritten signature]*  
\_\_\_\_\_  
*[Handwritten signature]*  
\_\_\_\_\_

Commissioners

Theodore H. Jenner  
Commissioner Everett C. McKenna, being necessarily absent, did not participate in the disposition of this proceeding.