

Decision No. 58127

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HAROLD J. HICKS, doing business as
PALM VALLEY WATER COMPANY, for a
certificate of public convenience
and necessity to extend its water
corporation operations in the
vicinity of Cathedral City, River-
side County, California.

Application No. 40186

Gordon, Knapp, Gill & Hibbert, by Wyman C. Knapp,
for applicant.
James G. Shields and A. L. Gielegem for the Commission
staff.

O P I N I O N

Applicant has authority from this Commission^{1/} to furnish
domestic water in territory located southeast of Cathedral City in
Riverside County, California, described as follows:

All of Section 1, all of Section 2 except as hereinafter
noted, the E½ of Section 3, and all that portion of
Section 12 north of the Whitewater River Flood Control
Channel right of way, except the N½ of the NW¼ of Section
12, all in T5S, R5E, SBB&M, Records of Riverside County,
California.

The following territory is specifically excluded from the
above-described territory:

Commencing from the SW corner of Section 2, thence easterly
1320 feet more or less, northerly 1155 feet more or less,
thence easterly 1061.83 feet, thence southerly 11.5 feet,
thence easterly to the Whitewater River Flood Control right
of way, a distance of approximately 260.97 feet, thence
northerly 165 feet, thence westerly 2642.80 feet more or
less, thence southerly 1320 feet more or less, along the
boundary of Section 2 and Section 3 to the point of begin-
ning, this area being the present service area of the
Palm Valley Mutual Water Company.

1/ Decision No. 54306, dated December 21, 1956, in Application
No. 37856.

By the application herein, filed with this Commission on June 16, 1958, and amended by an amendment filed on November 20, 1958, applicant seeks authority to extend the described service area to include Sections 5, 6, 7 and 8; T5S, R6E, SBB&M, which sections are east of applicant's presently certificated area, Sections 6 and 7 being contiguous on the west side thereof to the east boundary of the certificated area.

In addition, applicant seeks authority to serve customers in that portion of the Palm Valley Mutual Water Company's service area lying west of State Highway 111.

A public hearing on the application was held in Palm Springs, California, on December 3, 1958, before Commissioner Ray E. Untereiner and Examiner Kent C. Rogers. Prior to the hearing, notice thereof was published as required by this Commission.

Applicant has authority to serve Section 2 except the area served by Palm Valley Mutual Water Company as described above. The mutual area is split by State Highway 111 and applicant has a 12-inch transmission main along said highway. The mutual company is desirous of having applicant serve consumers in its service area west of the highway, and applicant is agreeable to providing service to said consumers, now numbering 8. The mutual members allegedly desire that applicant furnish them with water. Applicant's service area will be modified to include that portion of Section 2 west of State Highway 111.

In providing service to his authorized service area, applicant has three sources of supply producing a total of 1240 gallons of water per minute. These wells are located as shown on Exhibit

No. 1 herein and are known as the Braemar well, the Winans well, and the Tierra Del Sol well. The Braemar well, in the northwest corner of the service area, produces 314 gallons of water per minute and is connected to a 20,000-gallon storage tank. This source of supply is the existing source for service to the Desert Braemar apartments consisting of 100 units served through four meters. As an additional source of supply to this area, applicant has a tie-in through a 12-inch main to the Thunderbird Water Company from which it can secure a peak-load supply of not to exceed 450 gallons per minute. This 12-inch main is the main on State Highway 111 hereinabove referred to. The Winans well is situated in the central portion of the authorized service area north of the Thunderbird Water Company. It provides standby water for the Desert Sun Estates, a portion of applicant's service area. The applicant presently supplies water to the Desert Sun Estates pursuant to an agreement with the Thunderbird Water Company. This agreement has not been filed with the Commission, but applicant indicated that the agreement would be filed in accordance with the provisions of General Order No. 96. The Winans well produces 556 gallons of water per minute and is connected to a 3500-gallon storage tank. There are 12 consumers in the Desert Sun Estates at present. A large subdivision is proposed immediately east of the Desert Sun Estates. When this subdivision is completed, applicant proposes to extend a 12-inch main along Avenue 40 from the 12-inch main on State Highway 111 to the eastern edge of the present service area and south to the Tierra Del Sol subdivision. This main will tie into the Desert Sun Estates subdivision. The Tierra Del Sol well is in the southeast portion of the service area and produces, at present, 370 gallons of water per minute. This production can be increased to 500 gallons per minute with a larger pump motor. This well is connected to a 10,000-gallon storage tank.

There are at present approximately 46 consumers in this subdivision. Applicant estimates that 1240 gallons of water will serve approximately 800 consumers.

Applicant proposes to extend the service area to include Sections 5, 6, 7 and 8; T5S, R6E, SBB&M, Riverside County. These sections are east of applicant's existing service area, Sections 6 and 7 being immediately east of Sections 1 and 12, respectively. Landowners or representatives of landowners having parcels of land varying in size from 240 acres to one acre and situated in the proposed area appeared in support of the application. The locations of the witnesses' parcels are shown on Exhibit No. 2 herein. One of the witnesses appeared on behalf of twenty-five 5-acre tract owners in Section 8, and one witness appeared on behalf of five 5-acre tracts in Section 6. The majority of the requested or desired extensions are noncontiguous to applicant's existing services (Tierra Del Sol subdivision) and one party desires service to a 40-acre tract over 1½ miles from the nearest existing mains of applicant (see Exhibit No. 2).

The various witnesses were apprised of the fact that they would be required to advance the costs of main extensions and expressed their willingness to do so. From the evidence herein it appears and we find that public convenience and necessity require that applicant extend service as proposed in the application.

Service will be at filed rates. No franchise rights are sought to be exercised.

Financing

Applicant proposed two methods of financing water system installations in the requested area: (1) by internal funds on hand or borrowed, or (2) by the application of his Main Extension Rule.

Applicant's financial statement as of October 31, 1953, (Exhibit No. 3) shows he has \$27,093 in advances for construction which are subject to refunds. As of that same date his proprietary capital amounted to \$59,610. Doubt was expressed by the staff as to the ability of applicant to extend service into the large area involved. Main extensions from existing wells will result in refunds together with ad valorem taxes on the plant which could equal or nearly equal the revenues derived from water sales if customer density is low. The applicant expressed willingness, however, to provide funds from his individual resources to keep the plant operating even at a loss. The record shows that he has a net worth of approximately \$700,000. In view of these facts, the application will be granted but applicant is placed on notice that high costs per customer which may result from low customer density should not be expected to be met by increased rates to the customers.

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 out in the order herein and 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 shall 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 Harold J. Hicks, doing business as the Palm Valley Water Company, be and he 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:

1. All that portion of Section 2, T5S, R5E, SBB&M, lying west of State Highway 111.
2. Sections 5, 6, 7, and 8; T5S, R6E, SBB&M, Riverside County, California.

IT IS FURTHER ORDERED:

1. That Harold J. Hicks, doing business as Palm Valley Water Company, is authorized to apply, after the effective date of this order, his presently effective tariff schedules in the area certificated herein.

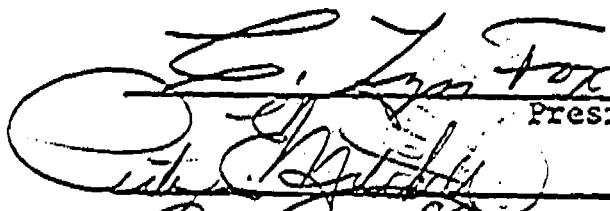
2. That applicant shall, after the effective date of this order, revise his presently filed tariff schedules, including service area map, and shall file original tariff sheets containing sample copies of printed forms that are normally used in connection with customers' services, including forms of main extension agreements, 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.

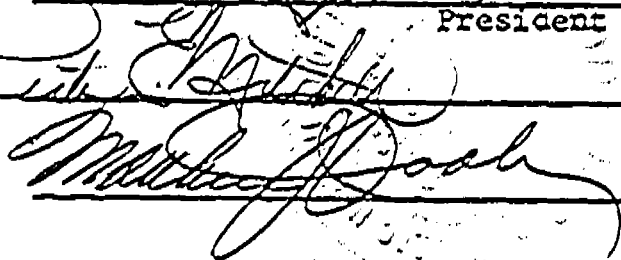
3. That applicant shall file within sixty days after service is first furnished to the public in the area certificated herein under the rates and rules authorized herein for said area, four copies of a comprehensive map drawn to an indicated scale not smaller than 1,000 feet to the inch, delineating 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.

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 17th day of March, 1959.



President


Commissioners

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