

**ORIGINAL**

Decision No. 59096

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LA QUINTA WATER  
COMPANY, a California corpora-  
tion, for a certificate of  
public convenience and necessity  
and for authority to issue stock.

)  
Application No. 41376  
(Amended)

Newlin, Tackebury & Johnston, attorneys, by  
George W. Tackabury and David H. Massey,  
for applicant.  
James G. Shields and Richard R. Entwistle,  
for the Commission staff.

O P I N I O N

La Quinta Water Company, a corporation, by the above-entitled application filed August 5, 1959, as amended September 21 and December 16, 1959, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory of Riverside County, at La Quinta, approximately 21 miles southeast of Palm Springs, in the area shown on the map attached to Exhibit No. 19. Authority to issue stock in cancellation of indebtednesses incurred by applicant to investors for advances by said investors for the construction of water system facilities, and to issue notes to said investors for the acquisition of water system facilities and for cash, and the establishment of rates for water

service are also sought.

A public hearing was held before Commissioner Matthew J. Dooley and Examiner Stewart C. Warner on December 23, 1959 at Palm Springs. The matter was submitted subject to the filing of Exhibit No. 19 on or before January 4, 1960, which said Exhibit has been received and the matter is ready for decision. No protests to the granting of the application were entered.

General Information

Applicant was incorporated on June 8, 1959, and its Articles of Incorporation were amended on July 10, 1959. In said Articles, applicant's first directors were stated to be John P. Elsbach and William Pickard of Los Angeles, and Leonard B. Ettelson of Chicago. John P. Elsbach is president and treasurer, Leonard B. Ettelson is vice president, William Pickard is secretary and George W. Tackabury is assistant secretary. By said Articles as amended, the applicant is authorized to issue 25,000 shares of one class stock with a par value of \$10 per share and an aggregate par value of \$250,000.

Applicant in the amendment to the application, proposes to issue a total of 10,000 shares of its capital stock to John Elsbach, Courtney Turner, William J. Friedman, Marcel Hirsch, Leonard B. Ettelson, and Roy Crummer, in cancellation of \$100,000 of the total amount of indebtedness owing to said individuals and to issue prior to January 1, 1961, one or more promissory notes in an aggregate principal amount of not in excess of \$50,000 to any one or more of said individuals in cancellation of the remaining indebtedness of the applicant to the named individuals

after issuance of the capital stock, for the purpose of acquiring capital equipment consisting of the water system facilities and organizational expenses totalling \$129,109.92 as of December 15, 1959, and for cash to finance future capital requirements including meters, buildings, and office equipment.

The territory which applicant proposes to serve includes approximately 1050 acres of desert land on which are now located the La Quinta Hotel, with its own source of water supply, and La Quinta Golf Estates. Exhibits Nos. 8 and 9 are water maps of Unit No. 1 showing 155 subdivided lots, and Exhibit No. 10 is a tentative map of Unit No. 2 showing 30 subdivided lots. Their general location with relation to La Quinta Hotel, La Quinta Golf Estates, and golf course is shown on Exhibit No. 1.<sup>1/</sup> Lots have been on sale since late October, 1959, and approximately 45 lots have been sold. Their sales price ranges from \$5,000 to \$22,500 each, depending on their proximity to the golf course, which has been constructed and is in operation. The applicant proposes to sell water to the golf club.

The sources of water supply include two wells, both drilled in 1959 by applicant's investors, who also financed the construction and installation of the water system which has so far been extended to the 155 lots in Unit No. 1 and 30 lots in Unit No. 2. Well No. 1 is located on the golf course and will be used principally for supplying water service to the course, but is connected to the domestic distribution system at Well No. 2.

---

<sup>1/</sup> Exhibits Nos. 8 and 9, dated June 26, 1959, and Exhibit No. 10, dated May 11, 1959, are revised maps which show a slightly different number of subdivided lots than Exhibit No. 1 which is dated March 5, 1959.

Well No. 1, which is 680 feet in depth and of 12-, 10- and 8-inch diameters, has a gas driven pumping plant installation with a production capacity of 600 gallons per minute, and Well No. 2, which is 772 feet deep, and of 10-, 8- and 6-inch diameters, has a gas engine driven pumping plant installation, with a production capacity of approximately 1100 gallons per minute, and an electric submersible pump in a side casing rated at 200 gallons per minute. Well No. 1 for golf course purposes, discharges into a pond from which the water is boosted for golf course sprinkling. Well No. 2 discharges into a 10,000 gallon pressure tank and thence into the distribution system. The presently installed distribution system consists of approximately 5,700 feet of 10- and 8- inch pipelines to Units Nos. 1 and 2, whence it is distributed into 8-, 6- and 4-inch pipelines. The record shows that the materials and design of the main installations appear to be in accord with the requirements of General Order No. 103.

Exhibit No. 13 is a report on the water supply available for servicing the service area of applicant submitted by a consulting engineering witness for applicant.

From a review of the record, it appears that the sources of water supply, the storage, transmission, and distribution facilities presently installed, and proposed to be acquired by the applicant, are adequate to meet the immediately foreseeable demands on the water system.

A Riverside County Health Department permit has been applied for by the applicant, and the record shows that as of

the date of the hearing it had been promised to the applicant by the Riverside County Health Officer.

Rates

Applicant proposes the following schedule of general metered service rates:

Bi-monthly Quantity Rates:	<u>Per Meter</u> <u>Per 2 Months</u>
First 2,000 cu.ft. or less	\$ 7.00
Next 6,000 cu.ft., per 100 cu.ft.	.275
Next 10,000 cu.ft., per 100 cu.ft.	.22
Over 18,000 cu.ft., per 100 cu.ft.	.15

Bi-monthly Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 7.00
For 3/4-inch meter	9.00
For 1-inch meter	12.00
For 1½-inch meter	18.00
For 2-inch meter	30.00

The proposed rate for the golf course is 15¢ per 100 cu. ft.

A Commission staff engineer recommended in Exhibit No. 18 a different schedule of minimum charges, which appear to be reasonable.

Financing

Exhibit No. 15 is a report of applicant's financial condition as of November 30, 1959, submitted by applicant's secretary and accounting witness. Said exhibit shows in detail the items of Advances for Construction by P.T. 492, La Quinta Operating Company, and Organizers' Loans, totalling \$129,109.92, proposed to be cancelled by the issuance of stock and notes. Applicant's accounting witness testified that said "Advances" should, more properly, have been classified in said financial statement as loans to applicant.

Findings and Conclusions

It is evident, and the Commission finds as a fact and concludes, that public convenience and necessity require that the application for a certificate of public convenience and necessity be granted.

The certificate of public convenience and necessity granted hereinafter shall be subject to the following provision of the law:

That 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.

The action taken herein shall not be construed to be a finding of the value of the property herein described.

The request for authority to issue 10,000 shares of one class capital stock of a par value of \$10 per share in the aggregate amount of \$100,000, and to issue 5% promissory notes payable within 15 years in an amount not to exceed \$50,000 to applicant's investors, is found to be reasonable and will be granted hereinafter

The rates for water service proposed by the applicant appear not to be out of line with rates for water service in the general vicinity and will be authorized hereinafter to be filed, except that the minimum charges recommended by the staff

engineer will be substituted for those proposed by the applicant, and the schedules will be revised to prorate the rates and charges on a monthly basis.

O R D E R

Application as amended as above-entitled having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision, based on the record in the proceedings and the findings of fact and conclusions with respect thereto,

IT IS HEREBY ORDERED as follows:

1. That La Quinta Water Company, a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory of Riverside County in the area comprising approximately 1050 acres as delineated on the map attached to Exhibit No. 19, including the La Quinta Hotel properties, the La Quinta Golf Estates Units Nos. 1 and 2, and the golf links.
2. That applicant be, and it is, authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order to be effective on or before the date service is first rendered to the public, together with rules and 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 upon five days' notice to the Commission and to the public after filing as hereinabove provided.
3. That applicant shall notify this Commission in writing of the date service is first furnished to the public under the rates and rules authorized herein within thirty days thereafter.
4. That applicant shall file, within forty 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 not smaller than 300 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 various properties of applicant.

5. 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 and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.
6. That if the authorization herein granted is exercised, applicant shall procure and dedicate to water utility purposes the lots or areas on which the wells, pumps and tanks are or are to be located and easements or permits where the pipe-line mains are or are to be located in lots, other than in public streets and shall file, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement, dedication, easement or permit.
7. That applicant is authorized to issue 10,000 shares of its one class capital stock with a par value of \$10 per share in the aggregate amount of \$100,000 in cancellation of indebtedness owing to John Elsbach, Courtney Turner, William J. Friedman, Marcel Hirsch, Leonard B. Ettelson and Roy Crummer, and to issue prior to January 1, 1961, one or more promissory notes in an aggregate principal amount not in excess of \$50,000 bearing interest at the rate of 5% per annum payable quarterly, payable within 15 years, to any one or more of the individuals named herein, in cancellation of the remaining indebtedness of the applicant to the named individuals, after the issuance of stock herein authorized and for cash, for the acquisition of capital equipment, including among other things, water meters, buildings and office equipment. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of such stock and notes is reasonably required by applicant for the purposes herein stated, and that such purposes are not reasonably chargeable to operating expenses or to income.



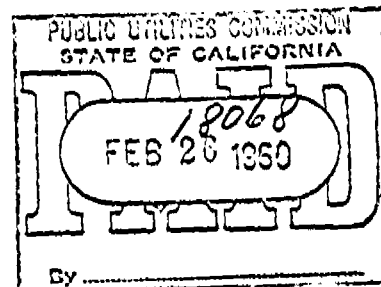
8. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24A, which order, insofar as applicable, is made a part of this order.
9. That the authority herein granted will lapse if not exercised within one year from the effective date hereof.

The authority herein granted to issue promissory notes will become effective when applicant has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$50. In all other respects the effective date of the order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 23rd day of February, 1960.

[Signature] President  
[Signature]  
[Signature]  
Theodore J. Jones Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.



APPENDIX A  
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

The unincorporated community of La Quinta, and vicinity, located approximately nine miles southwesterly of Indio, Riverside County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less .....	\$ 3.50
Next 3,000 cu.ft., per 100 cu.ft. ....	.28
Next 5,000 cu.ft., per 100 cu.ft. ....	.22
Over 9,000 cu.ft., per 100 cu.ft. ....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	5.00
For 1-inch meter .....	7.50
For 1 1/2-inch meter .....	15.00
For 2-inch meter .....	20.00

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

APPENDIX A  
Page 2 of 2

Schedule No. 3LM

LIMITED MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to measured irrigation service to La Quinta Country Club.

TERRITORY

The unincorporated community of La Quinta, and vicinity, located approximately nine miles southwesterly of Indio, Riverside County.

RATE

	<u>Per Meter</u> <u>Per Month</u>
For all water delivered, per 100 cu.ft. ....	\$ 0.15

SPECIAL CONDITION

Service under this schedule is limited to non-potable water for irrigation of La Quinta Country Club golf course.