

Decision No. 60373

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ELDORADO COUNTRY CLUB WATER COMPANY,
 a California corporation, for a
 certificate of public convenience
 and necessity to acquire, construct,
 and operate a public utility water
 company; to establish rates for water
 service; for authority to issue its
 shares of common stock; and for
 authority to deviate from General
 Order No. 103 of the Public Utilities
 Commission of the State of California.

Application No. 41973

O P I N I O N

By the above-entitled application, filed February 23, 1960, Eldorado Country Club Water Company, a California corporation, requests (1) a certificate of public convenience and necessity to acquire, construct and operate a public utility water company, (2) authority to establish rates for water service, (3) authority to issue its shares of common stock, and (4) authority to deviate from General Order No. 103 of the Commission.

A field investigation was made in connection with this application on April 11, 19 and 20, 1960, by staff representatives of the Commission's Finance and Accounts Division and the Hydraulic Branch of the Utilities Division. These investigations have verified the factual data submitted by applicant in Exhibits "A" through "K-2".

Background

Applicant is a California corporation organized May 22, 1959, for the primary purpose of supplying public utility water service for domestic and other beneficial purposes. The present water system, providing service to some 23 customers, is being operated by Eldorado

Properties, Limited. Applicant proposes to acquire the physical plant and operate the water system. The present directors of Eldorado Country Club Water Company are also officers of the corporation as follows:

John W. Dawson, President
Robert P. McCulloch, Vice President
Jimmy Hines, Vice President
J. Ross Clark, II, Vice President

In addition, Charles Bunting occupies the position of Secretary-Treasurer.

Service Area

The service area, as delineated on Exhibits "B" and "C" of the application, is located south of 46th Avenue and between the communities of Palm Desert and Indian Wells in Riverside County. More specifically, the area comprises portions of Sections Nos. 26, 27 and 28, Township 5 South, Range 6 East, S.B.B.&M., and totals approximately 665 acres, within which water service is to be provided to the Eldorado Country Club Clubhouse, Eldorado Cottage Estates, Eldorado Golf Club Estates Units Nos. 1, 3, 4, 5 and 6; the Eldorado Polo Grounds; and, other undeveloped land in the total area herein described. It is estimated that 50 customers will be served by December 31, 1960, and when the requested area is fully developed, it will have approximately 800 customers.

As delineated on Exhibit "C" attached to the application, water service is being provided by three other public utility water companies in areas immediately adjacent to the area requested by applicant. There do not appear to be any utilities, publicly or privately owned, with which applicant will be likely to compete within the area requested. The three adjacent public utility water companies have been advised of the instant application and have offered no objections to ex parte consideration of this matter.

No franchise is required by the County of Riverside.

Description of Water System

The present source of supply for the water system consists of two deep wells designated as Well No. 2 and Well No. 3, both located on 46th Avenue at the northerly boundary of the proposed service area. Well No. 2 is equipped with a 50-horsepower electric motor directly connected to a deep-well turbine pump producing 1,170 gpm when pumping through an existing 3-inch distribution main into the water system. Well No. 3 is equipped with a 30-horsepower electric motor directly connected to a deep-well turbine pump producing 619 gpm pumping through a 10-inch main into the system. At Well Site No. 3 there is located a 10,000-gallon storage tank, a 10,000-gallon hydropneumatic pressure tank and two electrically operated vertical turbine booster pumps. Pressure controls are set to maintain a minimum pressure of 40 pounds per square inch at the highest service connection in the service area. The distribution system is designed for loop circulation and is composed of 4-inch, 6-inch, 3-inch and 10-inch mains.

Applicant has set forth in Exhibit "I" a summary of the installed cost of the water system plant at December 31, 1959, in the amount of \$116,040 with a related depreciation reserve requirement of \$18,190. The resulting net plant balance of \$97,850 and the estimated additions to plant for the year 1960 are set forth in Paragraph XIV of the subject application in developing the utility plant for 1960 in an amount of \$170,420, for which applicant requests authority to issue stock.

Staff investigations indicate that applicant had not made application to the Department of Public Health of the State of California for an appropriate public water supply permit. Applicant will be ordered to file such application.

Rates

Applicant has proposed a schedule for residential flat rate service, as well as for general metered service. Both rate schedules are higher than initial rates adopted for other water utilities in this area with comparable operations. In connection with applicant's proposed flat rate schedule, there has been no data provided which would justify the granting of unrestricted flat rate service and the rates authorized herein will provide for limited application of the flat rate tariffs. As set forth in Exhibits "K-1" and "K-2" of this application, applicant proposes the following schedules of rates:

RESIDENTIAL FLAT RATE SERVICE:

	<u>Per Connection</u> <u>Per Month</u>
For each 3/4-inch service connection	\$10.00
For each 1-inch service connection	20.00
For each 1½-inch service connection	30.00
For each 2-inch service connection	50.00

METER RATES:

	<u>Per Meter</u> <u>Per Month</u>
First 1,200 cu.ft. or less	\$ 6.00
Next 3,800 cu.ft., per 100 cu.ft. ....	.30
Next 5,000 cu.ft., per 100 cu.ft. ....	.20
Next 190,000 cu.ft., per 100 cu.ft. ....	.10
Next 200,000 cu.ft., per 100 cu.ft. ....	.08
Over 400,000 cu.ft., per 100 cu.ft. ....	.06

Applicant has proposed no rate for public fire hydrant service although 18 fire hydrants have been installed within the requested service area, and are included in the appraisal of water system properties, Exhibit "I", as of December 31, 1959. A schedule of rates for public fire hydrant service will be authorized.

Financing

Applicant requests authority to issue 17,042 shares of its \$10 par value common stock to Eldorado Properties, Limited, for the

plant and properties as set forth in the application. These detailed costs have been considered and it is apparent that in some instances there are items which are not proper items to be capitalized by applicant.

In the order which follows no authority will be granted for issuance of stock to cover the charge of \$3,000 for a report on general water supply availability since such report was not required by nor furnished to applicant. Also, applicant's estimate of the costs incident to these proceedings appears to be excessive and authority will be limited to issuance of \$6,000 in stock for such costs. The following tabulation sets forth the purposes for which issuance of 16,342 shares of applicant's capital stock will be authorized:

Net depreciated cost of existing and proposed facilities	\$154,420
Cost incidental to obtaining certi- ficate of public convenience and necessity	6,000
Working capital	<u>3,000</u>
	\$163,420

Applicant states that future extensions of distribution mains will be in accordance with its anticipated filed main extension rule, with production, transmission, storage and pressure facilities to be financed by the utility.

Deviation from General Order No. 103

At the time of filing of this application the distribution mains installed in the water system did not meet the then minimum requirements of this Commission's General Order No. 103. Since that time, however, the requirements have been modified by this Commission's Decision No. 60104, dated May 17, 1960, in Case No. 5663. The field investigation by the Commission's engineer showed that the

distribution mains meet the revised minimum requirements of General Order No. 103.

Findings and Conclusions

Applicant's water supply facilities are considered adequate for development of the present and proposed systems. Design of the distribution system appears to be adequate to meet the demands of the present and future customers for water service and it is hereby found that the distribution system complies with the revised provisions of the Commission's General Order No. 103, and thus the requested authorization for deviation from that General Order is not required and will not be granted.

Applicant will be required to file with this Commission documentary evidence to the effect that the property on which wells, pumping units and related plant are located have been deeded to applicant and dedicated to public utility operations.

The Commission finds and concludes that public convenience and necessity require the granting of the requested certificate. The certificate hereinafter granted is subject to the following provision of 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 for any amount of money 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 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 expenses or to income. The

authorization herein granted 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 determination of just and reasonable rates.

The Commission finds and concludes that the rates set forth in the appendix to the following order are fair and reasonable.

O R D E R

The Commission having considered the above-entitled application and being of the opinion that public hearing is not necessary and that, except for the requested authority to deviate from General Order No. 103, the application should be granted; therefore,

IT IS ORDERED that:

a. Eldorado Country Club Water Company, a corporation, be, and it hereby is, granted a certificate of public convenience and necessity to acquire, construct and operate a public utility water system for the distribution and sale of water in the area shown on the map (Exhibit "B") attached to the application.

b. Applicant shall not extend its water system outside the area certificated herein without further order of the Commission.

IT IS FURTHER ORDERED that:

1. Applicant 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 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 upon five days' notice to this Commission and to the public after filing as hereinabove provided.

2. 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.

3. Applicant shall file, within thirty 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 100 feet to the inch delineating by appropriate markings the 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. 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 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 this Commission.

5. If the authorization herein granted is exercised, applicant shall dedicate to public utility purposes the land, parcels or areas on which the wells, pumps, tanks and related water facilities are located, and any easements or permits where water mains are located other than in streets dedicated to public use, including the rights of way for the distribution mains located within the Eldorado Country Club Golf Course and necessary egress and ingress to these installations from the nearest public street or highway. Applicant shall file with this Commission, not later than thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing dedication, easement or permit.

6. Eldorado Country Club Water Company on and after the effective date hereof and on or before June 30, 1961, may issue not

to exceed 16,342 shares of its capital stock at a par value of \$10 per share for the purposes specified in the foregoing opinion.

7. Applicant shall file with the Commission a report or reports as required by General Order No. 24A, which order, insofar as applicable, is made a part of this order.

8. If the authorization herein granted is exercised, applicant shall, prior to the date service is first furnished to the public under the authority herein granted:

- (a) Apply to the appropriate public health authority having jurisdiction for a water supply permit for its proposed system, and
- (b) Within ten days thereafter, report to this Commission in writing that application has been made for such permit.

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

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

Dated at San Francisco, California, this 5th day of July, 1960.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of El Dorado, and vicinity, located approximately 2 miles east of Palm Desert, Riverside County.

RATES

Per Meter
Per Month

Quantity Rates:

First	1,000 cu.ft. or less	\$ 4.00
Next	4,000 cu.ft., per 100 cu.ft. ....	.30
Next	5,000 cu.ft., per 100 cu.ft. ....	.20
Next	190,000 cu.ft., per 100 cu.ft. ....	.10
Next	200,000 cu.ft., per 100 cu.ft. ....	.08
Over	400,000 cu.ft., per 100 cu.ft. ....	.06

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 4.00
For	3/4-inch meter	5.50
For	1-inch meter	7.50
For	1 1/2-inch meter	15.00
For	2-inch meter	25.00
For	4-inch meter	50.00
For	6-inch meter	100.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated community of El Dorado, and vicinity, located approximately 2 miles east of Palm Desert, Riverside County.

RATE

Per Service Connection
Per Month

For a single family residence, including premises not exceeding 20,000 sq. ft. in area	\$8.00
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SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than 1 inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of El Dorado, and vicinity, located approximately 2 miles east of Palm Desert, Riverside County.

RATE

Per Month

For each hydrant \$3.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.