

ORIGINAL

Decision No. 61583

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of HAROLD J. HICKS, doing
business as PALM VALLEY WATER COMPANY,
for a certificate of public convenience
and necessity to provide domestic water
service as a public utility in the
vicinity of Palm Desert and Indian
Wells, Riverside County, California.

Application No. 42765
Amended

Gordon, Knapp, Gill & Hibbert, by Wyman C. Knapp,
for applicant.
Chester O. Newman and R. R. Entwistle, for the
Commission staff.

O P I N I O N

Harold J. Hicks, an individual, doing business as
Palm Valley Water Company, by the above-entitled application,
filed October 18, 1960, as amended the same date and as amended
verbally at the hearing, seeks a certificate of public convenience
and necessity to extend, construct, and operate his public utility
water system in the areas shown in the left diagonal markings on
the map Appendix "B", attached to the application, in unincorporated
territory of Riverside County north and south of State Highway No. 111,
northeast and east of Palm Desert between Palm Springs and Indio.
The approval of the agreement, dated June 15, 1960, with
Halecrest Country Club Co., for Country Club Village No. 1,
Exhibit No. 12 filed at the hearing, to furnish water service; of
the standard refund agreement, dated April 19, 1960, with

Desert Bel Air for Tract No. 2056, Exhibit No. 22; of the standard refund agreement, dated August 3, 1960, with Baseline Development Co., for Tract No. 2098, Exhibit No. 23; and of the refund agreements with Pacific Lenders, Inc., for Eldorado Palms No. 2 and Tract No. 2027 (Eldorado Palms No. 3), and the $W\frac{1}{2}$ of the $SW\frac{1}{2}$ of Section 23, T5S, R6E, SBB&M., Exhibits Nos. 24 and 25; authority to deviate from the requirements of General Order No. 103 to the extent necessary to maintain and operate about 4,000 feet of 8-inch, 12-gauge double-dipped and wrapped steel main presently in place in the Indian Wells Division; and authority to incur long-term indebtedness for the acquisition of the water system facilities of Indian Wells Mutual Water Company, pursuant to the terms of the purchase agreement, Exhibit No. 26, are also sought.

A public hearing was held before Examiner Stewart C. Warner on December 29, 1960, at Indio. No protests to the granting of the application were entered, and the matter was submitted subject to the receipt of late-filed Exhibit No. 37 on or before January 5, 1961. Said exhibit having been received, the matter is now ready for decision.

The applicant was granted certificates of public convenience and necessity to operate as a public utility water company in approximately seven sections of land south and east of Cathedral City, Riverside County, by Decision No. 54306, dated December 21, 1956, in Application No. 37856, and by Decision No. 58127, dated March 17, 1959, in Application No. 40186. He was granted a certificate of public convenience and necessity to

serve approximately 60 acres of land, situated about three miles southeast of the originally certificated service areas, non-contiguous thereto, known as Indian Wells Division, by Decision No. 58499, dated May 22, 1959, in Application No. 40991. The locations of the applicant's presently certificated service areas; the areas proposed to be certificated by the instant application; and their relation to the service areas of other water utilities and water distributing agencies in the vicinity, are shown on the sketch Appendix A attached to the application, and on the sketch Exhibit No. 1 filed at the hearing. Exhibit No. 6 shows that in December, 1956, the applicant had 13 active meters and 13 active consumers; in November, 1960, there were 243 active meters and 340 active consumers, which said latter amount included 100 Braemar Apartment Units served through four meters. The instant application covers the proposed addition of approximately 3,900 customers in the areas sought to be certificated as hereinafter outlined.

Description of Proposed Areas

Country Club Village-Shadow Village Division

This area, composed of two subdivision developments, comprises approximately 1,120 acres lying about one-half mile east and south of the applicant's originally certificated area. Exhibits Nos. 3 and 4 are maps which depict the development of the two subdivisions.

Country Club Village has been subdivided into Unit No. 1, which comprises 185 lots on which 128 homes are in various stages of construction. Units Nos. 2 and 3 will be constructed before the end of 1961 with a total of 2,900 residential units including 1,000 units which will be multiple occupancy or custom-built. The subdivider

plans the inclusion of a recreational area with each 14 residences in which the owners of said residences will own a 1/14th interest including an interest in a swimming pool. Also planned for Country Club Village is a 50-bed hospital and a 20-suite medical office and, outside and south of the proposed service area, a golf course. The subdivider testified as to the need for water service to the development.

Exhibit No. 12 is a copy of the applicant's proposed agreement, dated June 15, 1960, with Halecrest Country Club Co., to serve Country Club Village Unit No. 1. According to said agreement the subdivider placed in escrow with First American Title Company of Riverside the sum of \$49,300 covering the estimated reasonable cost of construction of the water system and facilities in said Unit No. 1, together with the cost of service stubs, service pipe lines, exclusive of meters, and including also a well, forebay, and pumping equipment. According to said exhibit the applicant gave a credit to the subdivider of \$2,000 for a well site known as the "Cook Road Well", by adding said amount to the \$49,300 advanced. The agreement deviates from the utility's filed main extension rule in that the amount advanced by the subdivider includes, in addition to the credit for the well site, the cost of production, pressure and storage facilities.

Exhibit No. 7 is a log of the applicant's Cook Road Well acquired from Halecrest; Exhibits Nos. 8 and 9 are chemical and bacteriological analyses of the water of said well, and Exhibit No. 10 is a pump test, dated August 24, 1960, by California Electric Power Company showing the production of the well to be 1,134 gallons per minute. An attachment to said exhibit, dated November 28, 1960, is a pump test by the well driller showing the

production of the well to have been 1,900 gallons per minute at a pumping level of 103 feet. Exhibit No. 11 is a Water Supply Permit, dated August 31, 1960, of the State Department of Public Health covering the well, reservoir, and pressure system for Country Club Village Unit No. 1, and Exhibit No. 21 is a copy of a Riverside County Department of Public Health letter covering all of the applicant's proposed sources of water supply in the instant application.

The Shadow Village development consists of about 120 acres, a portion of which has been subdivided, and is being served by Palm Desert Community Services District. Although a notice of the hearing was sent to said District, it made no appearance at the hearing and the applicant proposes to serve the approximate 468 residences remaining to be constructed. The sales manager for the subdivider testified as to the need for water service to the development.

Exhibit No. 38 is a report of an investigation of the application by the Commission staff submitted by a staff engineer. He computed the availability of water to the Country Club Village-Shadow Village Division and the requirements therefor. The initial development of 200 services will require 288,000 gallons on a peak day. The total water supply from the Cook Road Well is 2,756,000 gallons; however, the ultimate development of the Division, with 3,300 services, will require 3,200,000 gallons per day, with the same supply indicated. He recommended that an alternate source of water supply be developed as soon as possible,

and that the applicant be restricted to serve only County Club Village Unit No. 1 and Shadow Village until a water supply capable of meeting the requirements of the entire 3,300 services has been developed. A witness for the applicant, his general manager, testified that the applicant planned to drill another well to serve this Division within 120 days, for stand-by purposes, and that it was always the applicant's policy, as demonstrated by his operations not only of Palm Valley Water Company but of the operations of Palm Springs Water Company and Cathedral City Water Company for which the applicant is responsible, to provide adequate sources of water supply to meet any customer demands, and that this policy would be continued and enforced. This witness also testified that the proposed certificated areas were located in a well-known water producing area, and that no difficulty was anticipated in securing well sites or in drilling wells capable of producing ample quantities of water from the alluvial fill underlying the areas which overlie the more productive tributaries of the Whitewater River system.

Indian Wells Division

The proposed additions to the applicant's Indian Wells Division consist of one portion of approximately 120 acres contiguous on the west which will include Eldorado Palms, Desert Bel Air and a 13-acre parcel abutting State Highway No. 111 at the north end of Eldorado Palms. The subdivicer of Eldorado Palms testified that this area was to be developed as Tract No. 2027, and includes the Braun Ranch of 80 acres, less 13 acres sold off

to Joseph Amillo, and the Cavannaugh Ranch of 60 acres. Homes to be built in the area will aggregate a value of \$70,000, each. Exhibit No. 24 is a refund agreement relating to main extensions for Eldorado Palms No. 2 and Tract No. 2027. This agreement differs in form from that on file in the utility's tariff schedules. Exhibit No. 25 is a refund agreement relating to main extensions for the $W\frac{1}{2}$ of the $SW\frac{1}{2}$ of Section 23, T5S, R6E, SBB&M. This agreement deviates from the utility's filed main extension rule in that the amount advanced by the subdivider includes the cost of production and pressure facilities, and does not provide for adjustment to actual cost of a portion of the facilities covered by the advance.

Adjoining Eldorado Palms is Tract No. 2056 in Desert Bel Air consisting of 25 lots covering 10 acres on which homes with values of between \$46,000 and \$50,000 have been or are being built. Tract No. 2153, also a portion of Desert Bel Air, covers an additional 10 acres, the subdivision plans of which are being finalized in engineers' offices. Both Tracts Nos. 2056 and 2153 are re-subdivisions of Tract No. 2010 covering the entire 40 acres of Desert Bel Air. Exhibit No. 22 is a standard refund agreement for service to Tract No. 2056.

The second portion of the applicant's proposed extension to his Indian Wells Division comprises approximately 520 acres which are contiguous to his presently certificated area on the east. This area includes Tracts Nos. 2098, 2151, and 2097, being developed by Baseline Development Company. The standard water main extension agreement to serve Tract No. 2098 is Exhibit No. 23. Each of the Tracts is under active development including installations of streets, water system, underground conduits, and paving.

The area proposed to be developed as Ray Ryan's Cove, depicted on the map, Exhibit No. 37, will include 254 residential lots on which homes of the \$30,000 to \$50,000 class are to be built and in which multiple units, motels, and a commercial development including a completely integrated shopping center are to be constructed. The total usable land in this area comprises 250 acres.

Exhibit No. 38, the Commission staff report, indicates a peak day requirement for the initial development of 150 services in the Indian Wells Division of 250,000 gallons with a total available water supply of 2,802,000 gallons. With the ultimate development of 1,000 services, peak day requirements will be 960,000 gallons, with the same total available water supply indicated.

Exhibits Nos. 3 and 5 are maps which depict the present Indian Wells Division, and the proposed.

Exhibit No. 33 is a copy of the applicant's financial statement dated March 31, 1960, and Exhibits Nos. 31 and 32 are a comparative earnings statement of Palm Valley Water Company for the 12 months' period ended December 31, 1958, and 1959, and the 11 months ended November 30, 1959 and 1960, and a balance sheet as of November 30, 1960, respectively.

Findings and Conclusions

Based on the record before us, the Commission finds as a fact and concludes that public convenience and necessity require that the application be granted, and the order hereinafter will so provide.

It is further found as a fact and concluded that the public interest requires that the applicant should be directed to develop an alternate source of water supply for his Country Club Village-Shadow Village Division of sufficient capacity, together

with the use of his Cook Road Well, to adequately supply the water requirements of said Division until customer connections in said Division shall have reached 750 in number or customer demands in said Division shall have exceeded 1,500 gallons per minute; should effect such development within 120 days after the effective date of the order which follows, and should report to the Commission in writing when such development has been effected, and the extent thereof.

It is further found as a fact and concluded that the public interest requires that the applicant should be directed to, on or before October 31, 1961, submit to the Commission in writing a plan for the development of an additional source of water supply to meet the demands of customers in his Country Club Village-Shadow Village Division when the number of such customers exceeds 750, or the demands of such customers exceed 1,500 gallons per minute, whichever may first occur.

It is further found as a fact and concluded that the public interest requires that applicant should be directed not to extend his water system outside the boundaries of the certificated service areas including the Palm Valley, Country Club Village-Shadow Village and Indian Wells Divisions, without further order of the Commission.

Inasmuch as the agreements covered by Exhibit No. 22 and Exhibit No. 23 follow the form on file in the utility's tariff schedules, no Commission authorization is required to carry out their terms and conditions. In view of the possible speculative nature of the developments involved, the Commission finds nothing adverse to the public interest in the approval of the deviations from applicants Main Extension Rule No. 15 proposed in the refund agreements Exhibit No. 12 with Halecrest Country Club Co., nor with the agreements Exhibits Nos. 24 and 25 with Pacific Lenders, Inc. Neither does the Commission find anything adverse to the public

interest in the applicant's executing an agreement for purchase of Indian Wells Mutual Water Co., dated May 15, 1960, which is Exhibit No. 26; the total long-term indebtedness incurred by the applicant being \$31,317. It is further found as a fact and concluded that the proposed deviation from General Order No. 103 for the 4,000 feet of 8-inch, 12-gauge, double dipped and wrapped steel pipe proposed to be purchased and operated in connection with said agreement Exhibit No. 26 will not be adverse to the public interest and should be authorized.

The applicant's proposal to apply its presently filed tariff to the areas sought to be certificated is found as a fact to be reasonable, and the order which follows will so provide.

The certificate of public convenience and necessity hereinafter granted shall be subject to the following provisions 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 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 is further found as a fact and concluded that the public interest requires that the applicant shall be directed to file a set of revised tariff schedules to include the newly certificated areas, and to file copies of a comprehensive map covering the areas certificated hereinafter showing certain details as to tracts served and water system facilities.

O R D E R

Application as above entitled, as amended, having been filed and having been further amended at the hearing, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS ORDERED as follows:

(1) That Harold J. Hicks be and he is granted a certificate of public convenience and necessity to extend, construct, and operate his public utility water system, known as Palm Valley Water Company, in his Country Club Village-Shadow Village Division and in his Indian Wells Division in the areas of unincorporated territory in Riverside County as depicted and delineated on the maps Exhibits Nos. 3, 4, and 5 filed at the hearing.

(2) a. That the applicant shall, within 120 days after the effective date hereof, develop an alternate source of water supply for his Country Club Village-Shadow Village Division of sufficient capacity, together with the use of his Cook Road Well, to adequately supply the water requirements of said Division until customer connections in said Division shall have reached 750 in number or customer demands in said Division shall have exceeded 1,500 gallons per minute, and shall report in writing to the Commission within 10 days thereafter, when and to what extent such alternate source of water supply has been effected.

b. That the applicant shall, on or before October 31, 1961, submit to the Commission in writing a plan for the development of an additional source of water supply to meet the demands of customers in his Country Club Village-Shadow Village Division when the number of such customers exceeds 750, or the demands of such customers exceed 1,500 gallons per minute, whichever may first occur.

c. That the applicant shall not extend its water system outside the boundaries of the certificated service areas, including the Palm Valley Country Club Village-Shadow Village and Indian Wells Divisions, without further order of the Commission.

(3) That the applicant shall, within thirty days after the effective date hereof, file in accordance with General Order No. 96, and in a form acceptable to the Commission, a set of revised tariff schedules to include the areas certificated herein, setting forth the rates and tariff service area maps applicable thereto.

(4) That the applicant shall, within thirty days after the effective date hereof, file four copies of a comprehensive map satisfactory to the Commission and to a scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts served, the principal water production, storage, transmission, and distribution facilities and the location of the various water system properties of the applicant in the areas certificated herein. Such comprehensive map shall be refiled on or before December 31, 1961, showing the same data as of said date.

(5) That the applicant is authorized to carry out the terms and conditions of main extension agreements, Exhibit No. 12, with Halecrest Country Club Co., dated June 15, 1960, covering Country Club Village No. 1; Pacific Lenders, Inc., Exhibit No. 24, dated August 23, 1960, covering Eldorado Palms No. 2 and Tract No. 2027 (Eldorado Palms No. 3); Pacific Lenders, Inc., Exhibit No. 25, covering the W $\frac{1}{2}$ of the SW $\frac{1}{2}$ of Section 23, T5S, R6E, SBB&M; and the purchase agreement with Indian Wells Mutual Water Company, Exhibit No. 26, dated May 15, 1960, covering the purchase of a water system, the Palmer Well site, certain rights of way, and an interchange agreement between the applicant and Indian Wells Country Club Estates, and is authorized to incur long-term debt in the amount of \$31,317, it being the opinion of the Commission that the money, property or labor to be procured or paid for by the incurring of such debt is reasonably required for the purpose specified herein which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

(6) That the authority herein granted to carry out the terms and conditions of the agreement with Indian Wells Mutual Water Company, Exhibit No. 26, for the purchase thereof, and the incurring by the applicant of long-term indebtedness in the amount of \$31,317 thereby, will become effective when the applicant has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$32.

In all other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 28th day of February, 1961.

Ernest A. Page
President

[Signature]

[Signature]

[Signature]

Fredrick B. Holbrook
Commissioners

