

**ORIGINAL**

Decision No. 66945

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of

JENSEN WATER CO., a California Corporation, to operate a water system in Cabazon, Riverside County; and to Establish Rates

Application No. 45711  
(Filed August 23, 1963)  
(Amended December 19, 1963)

Tenney & Collins, by Jack B. Tenney, for applicant.  
Raymond E. Heytens and Robert C. Durkin, for the Commission staff.

O P I N I O N

Jensen Water Company, a California corporation, seeks a certificate of public convenience and necessity to operate a public utility water system south of U. S. Highway 99 in the City of Cabazon, Riverside County, in the area shown by a yellow line on the map attached to the amendment to the application. The establishment of rates for water service, and authority to issue stock are also sought.

Public hearing was held before Examiner Warner on January 29, 1964 at Cabazon. No appearances were entered protesting the granting of the application, but a petition, Exhibit No. 8, signed by 16 property owners and residents in the proposed service area, asked the Commission to deny the application because, as it was alleged, Cabazon County Water District (District) had been created by the people of the City of Cabazon to improve their water situation and bonds were voted for same; said District has indicated its willingness to serve their area; and if the application is

granted, there would be two water companies and one water district serving a small city, which would certainly not make for economy. However, witnesses for District, its general manager and one of its directors, testified that, although the directors had regularly met in December and January and knew of the hearing, no action had been taken with respect to the application. The record shows that applicant's proposed service area is not within District's boundaries and no petitions have been made to District for annexation, and no annexation proceedings which involve any of applicant's proposed service area are pending before District. The record further shows that, although District has been given the use of a water supply in Railroad Canyon by Southern Pacific Railroad, and District has been authorized to sell \$350,000 of bonds, and District has employed engineers to design a water system inside its boundaries, no bonds have been sold and District has no water system facilities.

Applicant's articles of incorporation were filed with the Secretary of State on May 1, 1957 and with the Commission in Application No. 39235 on July 12, 1957. They have not been amended. By Decision No. 57723, dated December 16, 1958, in said application, applicant was granted a restricted certificate to serve a portion of the area requested herein subject to completion of certain installations prior to exercise of the authority granted; that authority was scheduled to expire if not exercised, and it did expire, one year after the effective date of the decision. Applicant's president testified that the authority had not been exercised because customer growth and development of applicant's certificated

area did not take place as anticipated. In 1957 applicant was furnishing water service to ten customers from an existing surface supply.

Applicant now furnishes water service to approximately 100 customers. Such service has been furnished without charge.

The proposed service area includes 212 acres comprising Cabazon Estates No. 2, a subdivision with 1,002 lots, and 28 acres of unsubdivided land. Exhibit No. 4 is a legal description of the area. The water system includes a 100,000-gallon reservoir, situated on land owned by applicant, from which water is delivered through an 8-inch main to nine 4-inch mains which have been installed in looped grids. Portions of the system do not comply with General Order No. 103, and a Commission staff engineer recommended in a report on applicant's operations, Exhibit No. 6, that applicant be directed to bring its system up to prescribed minimum standards. The source of water supply is a well drilled in 1963, 8 inches in diameter and 508-feet deep. Applicant has purchased a new 35 h.p. pump, which is expected to produce at least 220 gallons per minute. Applicant anticipates 200 customers by mid-1964, and possibly 400 customers by the end of the year. The staff engineer also recommended in Exhibit No. 6 that applicant be required to retain a professional engineer to prepare an inventory, original cost appraisal and depreciation reserve requirement study of the water-system facilities and to determine depreciation accruals on the remaining life basis.

Applicant's proposed rates for water service are the same as those of Cabazon Water Company, a public utility water corporation, whose certificated and service area adjoins applicant's proposed area

south of U. S. Highway 99, on the west thereof, and which also furnishes water service in an area north of U. S. Highway 99, all in the City of Cabazon.

Applicant's officers are L. Dee Tallent, president, Mrs. V. C. Tallent, his mother, vice president, and Lou Ella Tallent, his wife, secretary. Exhibit No. 7 is a memorandum financial report submitted by a Commission staff accountant. It shows that L. Dee Tallent is the incorporator and sole stockholder of applicant and the owner of an 850-acre ranch of which he is subdividing approximately 240 acres into house-trailer parks, commercial development areas, and residential home sites. Table "C" of said exhibit is a financial statement of L. D. Tallent, dated October 10, 1963, showing net worth in excess of \$2-million, comprised principally of Tallent's own estimated value of his unsold, and undeveloped, and not subdivided real estate. Exhibit No. 7 also shows that Tallent has an estimated monthly income of at least \$1,500 derived from sources other than the land being developed.

The record shows that no formal accounting records have been prepared for the corporation as of December 1, 1963, and no record of past operating revenues or expenses has been maintained. The only available accounting documents are those in support of capital expenditures.

Applicant seeks authority to issue, immediately, 3,865 shares of its common stock of a par value of \$10 per share to L. Dee Tallent as consideration for the transfer to the corporation of water-system facilities and cancellation of indebtedness for money advanced by Tallent for the corporation's benefit. Authority is also

sought for the issuance, over a period of three years, of 3,750 shares out of the balance of applicant's total authorization of 15,000 shares to L. Dee Tallent for \$10 cash per share, as the money is required by the corporation for construction of additional facilities. The staff accountant, in Exhibit No. 7, recommended that the total par value of stock be limited to the original cost of utility plant to be acquired, supported by documentary evidence of cost or acceptable estimates, less depreciation thereon, and that not more than \$10,000 per value be authorized to be issued for cash for estimated construction requirements for the next three years, and for working capital.

Exhibit No. 1 is a copy of Resolution No. 180 of the Common Council of the City of Cabazon, dated January 28, 1964, noticing that the City intends to grant applicant a franchise of indeterminate duration as provided in the Franchise Act of 1937 to use the public streets, ways, alleys and places within the City after hearing scheduled for March 10, 1964.

Upon consideration of the record the Commission finds that:

1. Jensen Water Company is a California corporation authorized to issue 15,000 shares of nondesignated stock with a par value of \$10 per share whose incorporator and sole stockholder is L. Dee Tallent, owner of an 850-acre ranch of which he is subdividing approximately 240 acres, 212 acres of which comprise Cabazon Estates No. 2, a subdivision with 1,002 lots and 28 acres of unsubdivided land south of U. S. Highway 99, all in the City of Cabazon, Riverside County.
2. Water service has been, and is being, furnished without charge to approximately 100 users within the area sought to be certificated.

3. A public demand for water service exists.
4. Applicant's present water supplies are limited, and quantities of supplies proposed to be developed are unknown.
5. Potential growth of the area may be as much as 300 additional customers by the end of the year 1964.
6. No other public utility water service is available for applicant's proposed service area. Cabazon County Water District has taken no official action with respect to the instant application, has no water-system facilities except the use of a water supply in Railroad Canyon, and has not officially expressed its willingness or ability to serve the subdivision known as Cabazon Estates No. 2, which is outside District's boundaries. No annexation proceedings involving said subdivision are pending before said District.
7. Public convenience and necessity require that a certificate of public convenience and necessity to extend, construct and operate a public utility water system in Cabazon Estates No. 2 and 28 acres of adjoining unsubdivided land be granted to applicant.
8. Applicant's accounting records are incomplete.
9. Until an appraisal of the water-system properties which applicant proposes to acquire through the issuance of stock has been made, no basis for such stock issuance can be determined.
10. Applicant's proposed rates for water service are reasonable.
11. The City of Cabazon may grant applicant a franchise to use the public streets in the City.

Based on the foregoing findings the Commission concludes that:

1. The application should be granted subject to certain conditions.

2. An appraisal of the water-system facilities proposed to be acquired by applicant, together with a related depreciation reserve requirement study, should be made and submitted to the Commission.

3. Applicant should be authorized to file the schedule of rates proposed in the application together with the minimum charges for different size meters proposed at the hearing.

4. Consideration of the proposed issuance of common stock to applicant's president in exchange for water-system facilities, cash, and cancellation of indebtedness should be deferred until the original cost of facilities, less depreciation, has been determined and a supplemental application for such authorization has been filed.

5. Applicant should, by supplemental application herein, seek authority under Section 1002 of the Public Utilities Code to exercise the right and privileges of any franchise granted by the City of Cabazon.

The certificate hereinafter granted shall be subject to the following provision of law:

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.

O R D E R

IT IS ORDERED that:

1. Jensen Water Company, a corporation, is granted a certificate of public convenience and necessity to extend, construct, and operate a public utility water system south of U. S. Highway 99 in the City of Cabazon, Riverside County, in the area shown by a yellow line on the map attached to the Amendment to the Application, which said area includes the 212-acre subdivision known as Cabazon Estates No. 2, with 1,002 lots, and 28 acres of adjoining unsubdivided land, all as described in Exhibit No. 4, and subject to certain conditions.

2.a. Applicant shall serve not more than 100 customers until it has demonstrated to the Commission the adequacy of its water supply and has replaced all facilities not meeting the requirements of General Order No. 103. Applicant shall file a report in writing with the Commission, within ninety days after the effective date hereof, of the adequacy of its water supply and of the status of its compliance with General Order No. 103.

After receiving an acceptable report indicating an adequate water supply and that all facilities not meeting the requirements of General Order No. 103 have been replaced by facilities which meet the requirements of that order, the Commission may issue a supplemental order lifting this restriction.

b. Applicant shall secure another source of water supply and equip and connect it to its system when the number of customers reaches 150 and shall, within ten days thereafter, notify the Commission in writing thereof supplying details.



c. Applicant shall not extend its water system or furnish water service outside the boundaries of the area certificated herein without further order of the Commission.

3. Applicant shall, within one hundred eighty days after the effective date hereof, submit to the Commission in writing an inventory and original cost appraisal prepared by a professional engineer of the water-system facilities proposed to be acquired by it, together with related depreciation reserve requirement study based on the straight-line remaining life method.

4. Upon the receipt of an appraisal and reserve requirement study of the depreciated water-system facilities, and upon the filing of a supplemental application, the request for authority to issue stock will be considered.

5. Applicant is authorized and directed to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates, attached hereto as Appendix A, rules governing service to customers, a tariff service area map, and copies of printed forms normally used in connection with customers' services. Such rates, rules, tariff service area map, and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

6. Applicant shall, within ninety days after the effective date hereof, file four copies of a comprehensive map drawn to an indicated scale of not more than 600 feet to the inch, delineating by appropriate markings 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.

7. 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 for each plant account as of January 1, 1965 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.

8. Applicant shall, by supplemental application herein, seek authority under Section 1002 of the Public Utilities Code to exercise the rights and privileges under any franchise granted by the City of Cabazon.

9. Applicant shall forthwith take necessary steps to establish and maintain its accounting records in conformity with the uniform system of accounts prescribed by the Commission.

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, 1964.

*William C. Bennett*  
President  
*[Signature]*  
*George H. Grover*  
*Fredrick B. Halloff*  
  
Commissioners

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

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Cabazon Estates Number 2, located in portions of the City of Cabazon, and vicinity, Riverside County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 700 cu.ft. or less .....	\$ 3.50
Next 3,300 cu.ft., per 100 cu.ft. ....	.30
Next 6,000 cu.ft., per 100 cu.ft. ....	.15
Over 10,000 cu.ft., per 100 cu.ft. ....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	3.50
For 1-inch meter .....	7.00
For 2-inch meter .....	10.00
For 3-inch meter .....	12.50

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