

Decision No. 36563

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of  
RANDSBURG WATER COMPANY for an Order  
authorizing Increase of Rates for  
Water Service.

Application No. 24161

In the Matter of the Investigation on  
the Commission's own motion into the  
operations of RANDSBURG WATER COMPANY  
in the distribution and sale of water  
for domestic purposes in and in the  
vicinity of the towns of Randsburg,  
Johannesburg, Red Mountain and Atolia  
in the Counties of Kern and San Bernardino,  
State of California.

Case No. 4629

Earl C. Elliott, for Randsburg Water Company.

H. R. Collins, for Water Users.

HAVENNER, COMMISSIONER:

O P I N I O N

In this application Randsburg Water Company, a corporation, supplying water for domestic and commercial use in and adjacent to the unincorporated towns of Randsburg, Johannesburg, Red Mountain and Atolia in the Counties of Kern and San Bernardino, asks the Railroad Commission to authorize it to charge an increased schedule of rates for water service.

Case No. 4629 is a proceeding instituted by the Railroad Commission on its own motion, investigating the general operations and practices of the Randsburg Water Company.

A public hearing on these matters was held before Commissioner Havenner and Examiner MacKall at Randsburg.

Upon stipulation of counsel and interested parties, the above matters were combined for hearing and decision.

On August 10, 1936, the Railroad Commission issued its Decision No.29039 establishing the present effective schedule of rates of the Randsburg Water Company, which is as follows:

METERED RATES FOR ALL CLASSES OF SERVICE

Minimum Monthly Charges:

5/8 x 3/4 inch meter .....	\$2.50
3/4 inch meter .....	3.00
1 inch meter .....	5.00
1 1/2 inch meter .....	8.00
2 inch meter .....	10.00
3 inch meter .....	15.00
4 inch meter .....	25.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

From 0 to 1,000 gallons; per 1,000 gallons ...	\$7.50
From 1,000 to 5,000 gallons; per 1,000 gallons ...	5.00
From 5,000 to 30,000 gallons; per 1,000 gallons ...	3.00
All over 30,000 gallons, per 1,000 gallons ...	2.00

Water will not be sold for mining and milling purposes unless there is a surplus of water available over that needed for domestic consumers.

MONTHLY FLAT RATES

Residence occupied by one person not housekeeping.....	\$1.00
For each additional person.....	.50
Residence occupied by one person housekeeping.....	1.50
For each additional person.....	1.00
For residence, not modern, occupied by one family of two.....	2.50
For each additional person.....	1.00
Residence, modern with toilet and bath, occupied by family of two..	3.50
For each additional person.....	1.00
Office, store or hall.....	3.00
<u>All other use to be on a meter basis.</u>	

Applicant alleges that since the above rates were established, there has been a gradual increase in the cost of operating the properties, caused by increases in taxes and costs of materials and labor, while there has been a decrease in revenue, resulting from a decline in the mining industry in and around the Randsburg District. It is claimed that the net revenues do not yield a fair return upon Applicant's investment in its water supply facilities.

The early history and operations of this utility are fully covered in former decisions\* of the Railroad Commission involving this company. It is sufficient to state that there has been no change in the methods of operation and distribution of water by the Randsburg Water Company since its first appearance before this Commission in the early twenties. The water supply is still obtained from the Mountain Well, consisting of a mine shaft 4'x 6', dug to a depth of 360'. Water is pumped from this shaft over a low saddle between the mountains, dropping from said saddle 217 feet into a 25,000-gallon storage tank, from which it is picked up by a booster pump and transported through 5½ miles through a 5-inch main to Butte Saddle storage tank.

The 25,000-gallon storage tank, buildings at booster plant, booster pump and 5-inch transmission main, at the time of the hearing in these proceedings, were all the property of the Yellow Aster Mining and Milling Company, leased to Randsburg Water Company, with the approval of the Anglo American Mining Corp. Ltd. The terms of this lease, among other things, provide for the free delivery of 12,000 gallons of water per month to the Yellow Aster Mine and require the Randsburg Water Company to make all necessary replacements and repairs to the leased properties at its own expense.

Applicant through the testimony of Mrs. Georgia Dennis, owner and manager of the Randsburg Water Company, presented a report showing in detail the book costs of operating the Water System, together with other items such as gallonage, outages, unaccounted-for water, revenues and expenses, during the period from November, 1935, to December 31, 1941.

The following tabulation summarizes this report:

Year	Gallons Pumped	Gallons Metered	Gallons Loss	Revenue Charged	Average Number of Consumers	Maintenance & Operating Expense
1936	2,847,747	2,311,788	536,409	\$18,085.	248	\$14,657.
1937	4,175,332	2,787,293	1,388,039	16,253.	260	12,777.
1938	3,645,500	2,836,323	809,177	17,480.	303	11,451.
1939	3,269,583	2,563,882	705,791	17,312.	299	11,887.
1940	3,696,000	2,474,620	1,221,380	15,785.	285	12,154.
1941	3,679,000	2,482,548	1,181,442	15,593.	288	12,288.

Note:\*Decision No. 12257, June 25, 1923 (Case 1890)  
 Decision No. 22280, April 2, 1930 (Appl. 16239)  
 Decision No. 29039, Aug. 10, 1936 (Case 4078)  
 Decision No. 30660, Feb. 28, 1938 (Appl. 21278)

Mrs. Dennis further testified that additions and betterments to the system since the last rate proceeding have resulted in a total fixed capital of \$64,518. The evidence, however, shows that no retirements from capital have been made for properties replaced, and that all labor costs on capital installations have been charged to operating expense. Many items included in the utility's 1939, 1940 and 1941 operating expenses were identified as additions or betterments to plant and not properly chargeable to operating expense. The operating accounts also include the salary and expenses of Mrs. Dennis, as manager and owner of the system, amounting to approximately \$4,000. per year, representing more than \$1.00 per month per consumer. Mrs. Dennis resides at Vallejo, California, over 400 miles northwest of Randsburg and employs a competent man as superintendent on full time to operate the system. An office is maintained at Randsburg in charge of a woman who looks after the local commercial affairs of the utility.

This water system serving less than three hundred consumers is not difficult to operate. It presents no serious engineering or mechanical problems, and without doubt can be and has been successfully handled by the local management. In all fairness to the consumers and others concerned, a large amount of Mrs. Dennis's salary and expenses is an unreasonable and unnecessary burden upon the public served and should be deducted from surplus.

A report was submitted by F. H. Van Hoesen, one of the Commission's hydraulic engineers, covering a valuation of the properties as of June 1, 1941, and other operating statistics. A summary of this report is shown in the following tabulation:

Estimated Original Cost of System.....	\$68,899.
Depreciation Annuity, 5% Sinking Fund Method.....	1,279.
Estimated Original Cost of Leased Properties.....	30,330.
Depreciation Annuity, 5% Sinking Fund Method.....	222.
<u>Corrected Maintenance &amp; Operating Expense</u>	
1939 Includes Federal Income Tax.....	\$ 7,084.
1940 Includes Federal Income Tax.....	7,315.
1941 Federal Income Tax not included.....	7,696.
Estimated reasonable for future, exclusive of depreciation.....	8,000.
<u>Operating Revenue</u>	
1939.....	\$16,424.
1940.....	15,775.
1941.....	15,537.

The testimony shows that in preparing this report the records of the company could not be relied upon to furnish accurate information. Maps showing the pipe lines were inaccurate and not kept up to date, necessitating a vast amount of field surveys by engineers of the Commission's staff, to develop a proper inventory. The books and accounts have been neglected and do not properly reflect the correct segregation between capital and expense.

There was no question raised regarding the Van Hoesen report in respect to capital investment, depreciation annuities and revenues. The above figures of the Van Hoesen report for maintenance and operating expense show corrected amounts, eliminating such items as could be identified as being improperly chargeable to expenses and including only that portion of the salary and expenses of Mrs. Dennis which is considered reasonable. A question was raised regarding Federal Income Tax. Examination of the above report shows that this tax was included in the totals for 1939 and 1940, but that the Federal Income Tax, amounting to \$369.86, was eliminated from the total shown for the year 1941. However, provision therefor was ample in the estimate of a reasonable future maintenance and operating expense. Considering all the evidence introduced, the following appears to be a reasonable summary of the facts applicable to the establishment of rates of this utility:

Revenues 1941.....	\$15,537.
Reasonable Yearly Allowance for Maintenance and Operating Expense for future, including taxes.....	\$ 8,000.
Depreciation Annuity, all properties.....	<u>1,500.</u>
Total Annual Expenses.....	\$ 9,500.

Based upon the foregoing findings of fact, the result of operation for 1941 indicates a net return of approximately 8.7 per cent upon the utility's property investment. Any change in the capital structure, such as acquisition of the leased properties, would make no substantial change in the above rate of return because of the present method of upkeep of the leased properties and payment therefor in kind. The following schedule of reduced rates should produce a net return of approximately 6 per cent and will in no wise unreasonably handicap the utility. No allowance has been made for increased or decreased business as such factors are too uncertain to

predict at the present time.

The testimony of the Commission's engineer brings out the fact that logical and sound engineering practice would indicate that some saving could be made by a change in pumping methods and equipment to eliminate the loss of approximately 217 feet in head from the well to the booster pump, thereby modifying the high pressures to which the transmission main is subjected and lowering pumping costs.

It is, therefore, concluded that the application should be denied, and that the present schedule of rates should be revised as hereinafter set forth. The following form of Order is recommended:

ORDER

Application as entitled above having been filed, and the Railroad Commission having instituted an investigation on its own motion into the affairs of the Randsburg Water Company, a corporation, public hearings having been held thereon, the matters having been duly submitted and the Commission being now fully advised in the premises,

Based upon the findings of fact set forth in the preceding Opinion

IT IS HEREBY ORDERED that Application No. 24161 of Randsburg Water Company, a corporation, for an increase in rates be and it is hereby denied.

IT IS HEREBY FURTHER FOUND AS A FACT that the rates now being charged by Randsburg Water Company, a corporation, for water delivered to its consumers in and in the vicinity of Randsburg, Johannesburg, Red Mountain and Atolia, in the Counties of Kern and San Bernardino, State of California, in so far as they differ from the rates authorized by this Order, are unjust and unreasonable and that the rates herein established are just and reasonable rates to be charged for the service rendered, and

Basing its Order upon the foregoing findings of fact and on the further findings of fact contained in the Opinion which precedes this Order, now, therefore,

IT IS HEREBY ORDERED that Randsburg Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate with the Railroad Commission within thirty (30) days from the date of this Order, the following

schedule of rates to be charged consumers for all water delivered on and after the

1<sup>st</sup> day of September, 1943:

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In and in the vicinity of the towns of Randsburg and Johannesburg, Kern County, and Red Mountain and Atolia, San Bernardino County.

RATES

Quantity Charge:	<u>Per Meter</u> <u>Per Month</u>
First 400 gallons or less.....	\$2.25
Next 1,600 gallons, per 100 gallons.....	.50
Next 3,000 gallons, per 100 gallons.....	.40
Next 25,000 gallons, per 100 gallons.....	.30
Over 30,000 gallons, per 100 gallons.....	.20

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$2.25
For 3/4-inch meter.....	3.00
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	8.00
For 2-inch meter.....	10.00
For 3-inch meter.....	15.00
For 4-inch meter.....	25.00

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

Water will not be sold for mining and milling purposes unless there is a surplus of water available over that needed for domestic consumers.

Schedule No. 2

MONTHLY FLAT RATES

APPLICABILITY

Applicable to all domestic and commercial water service.

TERRITORY

In and in the vicinity of the towns of Randsburg and Johannesburg, Kern County, and Red Mountain and Atolia, San Bernardino County.

Schedule No. 2 (Continued)

RATES

Residence occupied by one person not housekeeping.....	\$1.00
For each additional person .....	.50
Residence occupied by one person housekeeping.....	1.50
For each additional person.....	1.00
Residence, not modern, occupied by one family of two.....	2.50
For each additional person.....	1.00
Residence, modern, with toilet and bath, occupied by family of two...	3.50
For each additional person .....	1.00
Office, store or hall.....	3.00
All other use to be on a meter basis.	

IT IS HEREBY FURTHER ORDERED that Randsburg Water Company, a corporation, be and it is hereby directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineated thereupon in distinctive markings the boundaries of its present service area, and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
  
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 1,000 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service, provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

IT IS HEREBY FURTHER ORDERED that for all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.



The foregoing Opinion and Order are hereby approved and ordered filed  
as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24<sup>th</sup> day of August

1943.

Francis A. Havenor  
J. H. Baker  
Justin F. Curran  
Richard K. Ketchum  
Francis W. Deane

COMMISSIONERS.