

Decision No. 39228

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the application of

RANDBURG WATER COMPANY

For an order authorizing increase of rates for water service.

Application No. 25952

Thomas J. Kelley, for Applicant.
 Harrie R. Collins, for Intervenor for Consumers,
 Protestants.

O P I N I O N

Randsburg Water Company, a corporation, engaged in the business of supplying water for domestic and commercial purposes in and adjacent to the unincorporated towns of Randsburg, Johannesburg, in Kern County, and Red Mountain and Atolia, in San Bernardino County, asks for authority to increase its rates for water service furnished throughout its area of service.

Applicant alleges that a loss in revenue has resulted from the elimination of gold mining during the war, and at the same time the costs of operating the system have greatly increased. It is claimed that an adjustment of rates is necessary in order to provide a fair rate of return on the capital investment, and the Commission is asked to authorize the following schedule of rates:

Schedule No.1

GENERAL METERED SERVICE

RATES

<u>Quantity Charge:</u>	<u>Per Meter Per Month</u>
First 375 gallons or less.....	\$3.00
Next 1,600 gallons per 100 gallons.....	.80
Next 3,000 gallons per 100 gallons.....	.70
Next 25,000 gallons per 100 gallons.....	.40
Over 30,000 gallons per 100 gallons.....	.30

Minimum Charge:

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

The minimum charge will entitle the consumer to the quantity of water which the 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

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.

A Petition for Leave to Intervene was filed by the Federal Office of Price Administration, and was granted by order of the Commission on April 28, 1944. However, no representative of the Office of Price Administration entered an appearance at the hearing.

James B. Nossor, Jr., of Johannesburg, appearing for himself as a water user and in behalf of other water users, filed a Petition of Intervention, protesting against any increase in rates.

The present rates charged by this utility were established by the Commission in its Decision No. 36563, dated August 24, 1943, and are as follows:

Schedule No. 1

GENERAL METERED SERVICE

RATES:

<u>Quantity Charges:</u>	<u>Per Meter Per Month</u>
First 100 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
 <u>Minimum Charges:</u>	
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

RATES:

Residence occupied by one person not housekeeping,	\$1.00
For each additional person,50
Residence occupied by one person housekeeping,	1.50
For 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.	

The history of the Randsburg Water Company and a more detailed description of the system and operating practices have been set forth in considerable length in several previous decisions* of this Commission. The water supply for this utility has been obtained principally from the Mountain Well since 1921. According to testimony at the hearing this well now produces from 16,000 to 17,000 gallons daily, the flow having increased between 5,500 and 6,000 gallons per day immediately after a severe earthquake in March 1946.

Certain facilities used by Randsburg Water Company under the terms of a lease agreement with Yellow Aster Mining and Milling Company were purchased by Applicant in 1943. These properties among other things included a 25,000-gallon storage tank, lands and buildings at the booster plant, booster pump and the five-inch transmission main from said plant to a point near Johannesburg. With the acquisition of these properties Randsburg Water Company no longer is obligated to furnish 12,000 gallons of water monthly for use of the Yellow Aster Mine, without charge.

Mrs. Georgia Dennis, sole stockholder and manager of Randsburg Water Company, presented testimony concerning the revenues, expenses, and capital investment in 1944 and 1945, summarized as follows:

	<u>Year 1944</u>	<u>Year 1945</u>
Gross Revenue	\$18,730.20	\$18,083.03
Operating Expenses	16,371.16	15,467.25
Uncollectible Accounts Charged Off	608.16	275.56
Fixed Capital at End of Year	63,259.48	63,399.91
Profit Transferred to Surplus	850.88	109.51

Mrs. Dennis stated that she now receives a salary of \$300 per month as manager, that the operating superintendent and only outside permanent employee is paid \$260 per month. The office is in charge of a girl paid a salary of \$50 per month, including quarters.

Note: * Decision No. 12257, June 25, 1923 (Case 1890).
 Decision No. 22280, April 2, 1930 (Appl. 16239)
 Decision No. 29039, August 10, 1936 (Case 4078)
 Decision No. 30660, February 28, 1938 (Appl. 21278)
 Decision No. 36563, August 24, 1943 (Appl. 24161 and Case 4629)

Mr. Verner R. Muth, one of the Commission's engineers, submitted a report, prepared with the assistance of John D. Reader, which includes a valuation of the properties as of December 31, 1945, and the results of operation for the years 1944 and 1945. The following tabulation summarizes this report:

Estimated Original Cost Operative Capital,	\$87,726.22
Depreciation Reserve Requirement,	42,594.15
Depreciation Annuity 5% Sinking Fund Method,	892.01
Estimated Original Cost Inoperative Capital,	14,296.75
Adjusted Maintenance and Operating Expenses:	
1944, Includes Taxes and Depreciation Annuity,	\$12,950
1945, Includes Taxes and Depreciation Annuity,	12,114
Estimated for 1945 under requested rates,	14,902
Operating Revenue:	
1944,	\$17,796
1945,	18,095
Estimated for 1945 under requested rates,	27,588

The original cost of \$87,726 includes the facilities purchased in 1943 from Yellow Aster Mining and Milling Company, of which the principal item is 25,900 feet of five-inch transmission main, the estimated historical cost of which amounts to \$16,006.

The report of the Commission engineers shows a total adjusted 1945 operating expense of \$12,114, as compared with the amount of \$15,407.25 shown in the accounts of the utility. This reduction resulted from the analysis of vouchers which showed certain improperly charged items under expenses. Of the total expenses reported by the utility, the major portion thereof is the heavy payroll or salary charges amounting to \$8,901.25 for the year. Another large item in these accounts is the sum of \$647.70 shown as the Manager's Auto Mileage and Expense for the year. The annual expense allowed by the Commission engineers for the average 270 customers is nearly \$45 per customer, which Mr. Muth testified was more than a liberal allowance for so small a utility, being far above the average for such a system even after giving full consideration to the local desert conditions under which this system operates.

Based upon an undepreciated rate base of \$89,276 which includes materials and supplies and working capital, and the adjusted net operating revenue of \$5,981 in 1945, shows a rate of return on the capital investment of 6.70%.

One of the major concerns of the consumers in this area is the general insufficiency of water supply. During the war and especially when the Naval Ordnance Test Station was under construction in 1944 near Inyokern the water company was forced to haul water by truck into Randsburg and later water was purchased under contract from the Butte Lode Mining Company, located in the Town of Randsburg during a part of 1945. Water from this latter source is highly impregnated with mineral salts, especially magnesium, is very hard, and its use, even when properly blended with mountain well water has been severely criticized by the water users. The only other available source of sweet water is from the Judge well located in the Coler Wash below Randsburg, requiring a pumping lift in excess of 1,000 feet and installation of a long and expensive pipeline. While water from this well may eventually become available, the testimony indicates that the mining properties of which it is a part is still involved in court litigation which may not be settled for some time in the distant future.

Several eminent geologists, mining engineers, and local mine operators testified that by light shooting in the Mountain Well shaft and chiseling operations along the fissures near the bottom of said well, the water yield could be vastly increased. The testimony shows that such practice in the past had augmented greatly the flow of this well. On the other hand the evidence also showed that by so doing the well on a few occasions was almost lost.

It is clear that tampering with this well involves considerable risk and in light of the record on this phase of the case, the Commission is inclined to leave the clearing out of the Mountain Well to the best judgment of its owners. In the event a serious water shortage again occurs on this system which the recently increased well flow of the Mountain Well cannot meet, the Commission will be pleased to lend the assistance of its engineering staff toward the procurement of additional water for the Rand District.

There is no present evidence to indicate any material decrease in the Company's revenues or appreciable further increase in its operating expense.

Accordingly, the present return on the capital investment is believed to be a fair and reasonable one under existing conditions. It is concluded, therefore, that the application should be denied.

ORDER

Application as above entitled having been filed, public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises, and basing its order upon the findings of fact set forth in the preceding Opinion,

IT IS HEREBY ORDERED that Application No. 25952 of Randsburg Water Company, a corporation, for an increase in rates be and it is hereby denied.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 30th day of July, 1946.

Harold Rubin
Justin F. Casner
Thomas Clark
Joseph Campbell
Harold Kulis
 COMMISSIONERS