

Decision No. 39884

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation into the reasonableness of the rates, etc., of CLARENCE F. IVES and GLADYS L. IVES (Inyokern Water Service).

Case No. 4852.

ORIGINAL

Robert H. Thompson, for Consumers.

Clarence F. Ives, for Defendants.

OPINION

This proceeding was instituted by the Commission on its own motion into all of the operating affairs of Clarence F. Ives and Gladys L. Ives, doing business as Inyokern Water Service, in the sale and distribution of water in the unincorporated town of Inyokern, Kern County. The investigation was ordered as a result of a petition signed by thirty customers, alleging that the rates being charged are exorbitant and unreasonable, and asking the Commission to investigate the operations of the system and establish reasonable rates.

A public hearing in this proceeding was held in Inyokern before Examiner Stava.

Inyokern is located in the Mojave Desert, in Indian Wells Valley, about 48 miles northeast of the Town of Mojave. The service area comprises about 100 acres and includes the townsite of Inyokern and adjoining subdivided tracts. The original townsite and water system were developed by R. H. Thompson. The system was acquired by Mr. Ives through authority granted by this Commission in its Decision No. 34544, issued August 26, 1941, and thereafter consolidated with a water system constructed by him to serve his own property located in adjoining territory.

Water for the combined systems now is obtained from two deep wells. Well No. 1 is 12 inches in diameter and 300 feet deep, drilled in 1919 and equipped with an electrically-driven deepwell pump, having a rated capacity of 85 gallons per minute. This plant was the source of supply for the former Ives water system but since February of 1946 has been used only for standby purposes. Well No. 2 is 16 inches in diameter, 450 feet deep, and was drilled in 1945 to supply the townsite and a 40-acre subdivision owned and developed by Mr. Ives. This well is equipped with an electrically-driven pump, having a rated capacity of 300 gallons per minute. The water table at both wells is static at 220 feet below the ground surface.

Water from the wells is discharged into two stand-pipes, each 45 feet in height, having a combined storage capacity of 50,000 gallons. The distribution system consists of 19,800 feet of pipe lines varying from two to six inches in diameter. The working pressures are wholly inadequate, ranging from 9 to a maximum of 18 pounds per square inch. There are 72 customers, of which 57 are metered users.

The rates at present in effect were established by the Commission in its Decision No. 27014, issued May 5, 1934, and provide for a basic flat rate charge of \$2.00 per month for a residence of two persons, or less, and 50 cents for each additional person. Under the measured rate the minimum monthly charge of \$2.50 permits the use of 1,666 gallons of water. The cost of excess water is reduced through two blocks to 6 cents per 100 gallons for all use over 5,000 gallons. An industrial rate also is available, which allows 25,000 gallons per month for \$10.00. Additional industrial water charges are reduced through four blocks to \$0.025 per 100 gallons for quantities over 1,000,000 gallons.

The consumers who testified claimed that the meter rate resulted in excessive and exorbitant charges. One owner of a six-room home testified that her water bills varied from \$4.79 to \$24.43 and totaled \$176.00 for a period of twelve consecutive months. The water was used for household purposes only, including an air-conditioning apparatus operated by water. She stated that there was neither garden, lawn nor shrubbery on the premises. The operator of an auto court with 15 cabins presented water bills ranging from a minimum of \$17.45 to a maximum of

\$60.25 per month, totaling \$303.60 for one year. This witness stated that he could not afford to maintain a lawn or shrubbery on his property.

From the evidence of other consumers it is clear that the present operating pressures are so low that satisfactory service is impossible. With a maximum pressure of 18 pounds per square inch at the standpipes, there is practically none at all in the outlying sections of the service area. Fire protection furnished by fire hydrants under such conditions is worthless. Immediate steps should be taken by Mr. Ives to install an automatic pressure system capable of maintaining a minimum working pressure of 25 pounds per square inch in the outskirts of his service area during average periods of demand. Such an installation would be relatively inexpensive but is absolutely necessary.

The evidence shows that a considerable amount of unfair discrimination has existed on this system. Practically all property owners other than Mr. Ives have been placed on meters. Tenants on properties owned by the latter have in some cases been on flat rates but in most instances have been served free of charge. Mr. Ives has agreed to correct this discrimination and will bill all consumers at the established rates and place meters on all flat rate service connections as soon as meters can be obtained. This will remove a considerable amount of dissension, for such unreasonable discrimination has no justification whatsoever.

Mr. Ives testified that originally he had sufficient water from the irrigation well on his own property but during the war when the United States Naval Ordnance Test Station was under construction at Inyokern, and for some time thereafter, there was a great boom in Inyokern and vicinity, and a sudden influx of population that made it necessary to drill a new well and install a new pumping plant. To meet this sudden expansion required considerable new extensions of mains and other construction at very high prices for labor and material. The record shows that at present the great war-time activity has subsided. With a service area containing 367 lots, there are now but 72 customers. One subdivided tract belonging to Mr. Ives, containing 166 lots, has only eleven consumers now. The entire system is over-built for present demand. One well and pumping plant will now produce all water required.

The following is summarized from the annual reports filed by Mr. Ives with this Commission:

| | <u>1942</u> | <u>1943</u> | <u>1944</u> | <u>1945</u> |
|----------------------|-------------|----------------|-------------|------------------|
| Fixed Capital | \$4,300 | \$7,000 | \$4,300 | \$31,050 |
| Operating Revenue | 420 | 750 | 780 | 1,992 |
| Operating Expenses | 294 | 882 | 585 | 11,289 |
| Net Operating Return | \$ 126 | <u>(\$132)</u> | \$ 195 | <u>(\$9,297)</u> |
| Number of customers | 14 | 25 | 33 | 72 |

Note: (Red Figures)

Mr. Ives is engaged in several other and different types of business enterprises in the town besides operating a waterworks. He admitted that his public utility records were not entirely segregated from his private operations. However, an analysis of the fixed capital water account taken from the testimony of Mr. Ives and Mr. James F. Wilson, one of the Commission's engineers, shows a capital investment as follows:

| | |
|---|--------------|
| New distribution system, including fire hydrants..... | \$15,233 |
| Pumping Plant No. 2, including well and storage tanks.. | <u>8,990</u> |
| Total Cost New System..... | \$24,223 |
| Old System, including well, pump and distribution system..... | <u>5,489</u> |
| Total..... | \$29,712 |

Mr. Ives estimated the total operating revenues for 1946 to be \$4,720, based on the experience of the first 10 months of the year and the total operating expenses for the same period \$3,256, which includes \$456 as an allowance for depreciation computed by the 5% sinking fund method. The estimated results of operation for the year on this basis shows a net revenue of \$1,464 or a net return of 4.93% on the total capital investment.

The record, however, shows that the estimated operating costs presented by the owner of this system are unfairly excessive. The charges set up for plant management, supervision, and maintenance are out of all proportion for the few consumers (72) now served. In such a small utility the operation thereof can only reasonably be considered a part-time job, for conditions do not require full-time

employment of one or more men.

Mr. Ives conceded that present rates under existing conditions are too high and expressed a willingness for the establishment of a fair and proper schedule of rates. He furthermore agreed to take immediate steps to install improvements necessary to give relief from the present intolerable service conditions.

The revised schedule of rates will eliminate flat rate charges, and while not disturbing the basic monthly minimum charge for residential meter service will grant a reasonable quantity of water therefor. The changes in the quantity blocks of the rate structure will insure the purchase of water over the minimum allowance at a fair cost.

The continued effectiveness of this revised schedule of rates will depend entirely upon the good faith of Mr. Ives in improving working pressures and the quality of service in a manner satisfactory to this Commission.

O R D E R

The Commission, on its own motion, having instituted an investigation into the various phases of the operation and practices of Clarence F. Ives and Gladys L. Ives, doing business as Inyokern Water Service, a public hearing having been held thereon, the matter having been submitted; and the Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Clarence F. Ives and Gladys L. Ives, doing business as Inyokern Water Service, for water supplied to their customers in and in the vicinity of the unincorporated community of Inyokern, Kern County, are unjust and unreasonable in so far as they differ from the rates herein established, 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 upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Clarence F. Ives and Gladys L. Ives, doing business as Inyokern Water Service, be and they are hereby authorized and directed

to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all water service rendered their customers in and in the vicinity of the unincorporated community of Inyokern, Kern County, on and after the first day of February, 1947:

Schedule No. 1

GENERAL METERED SERVICE

Applicability:

Applicable to metered water service for domestic, commercial, industrial, and other purposes.

Territory:

Within the entire area of service in and in the vicinity of the Town of Inyokern, Kern County, California.

Rates:

Minimum Monthly Charges:

| | <u>Per Meter Per Month</u> |
|-------------------------------|--------------------------------|
| For 5/8 x 3/4-inch meter..... | \$2.50 |
| 3/4-inch meter..... | 3.50 |
| 1-inch meter..... | 5.00 |
| 1 1/2-inch meter..... | 7.50 |
| 2-inch meter..... | 10.00 |
| 3-inch meter..... | 15.00 |

Each of the foregoing "Minimum Monthly Charges" will entitle the customer to the quantity of water which that minimum monthly charge will purchase at the following Monthly Quantity Rate:

Monthly Quantity Charges

| | |
|---|--------|
| First 3,000 gallons or less..... | \$2.50 |
| Next 5,000 gallons, per 100 gallons..... | .05 |
| Next 12,000 gallons, per 100 gallons..... | .04 |
| Next 20,000 gallons, per 100 gallons..... | .03 |
| Over 40,000 gallons, per 100 gallons..... | .025 |

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

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

Dated at San Francisco California, this 21st day of January 1947.

Harold P. Kula
Justice J. Cooney
Earl P. Fowell
A. F. Morrison

Commissioners.