

ORIGINAL

Decision No. 40861

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Swarthout Valley Water Company for an
Order Authorizing an Increase in Rates.

Application No. 28563

Lloyd S. Nix, Robert F. Tyler and Hugh Gordon,
by Hugh Gordon, for Applicant.

Walker, Meyers, Ingram and Moser, by Thomas P. Walker,
for Wrightwood Property Owners Association, Inc.

O P I N I O N

Swarthout Valley Water Company, a corporation, operates a public utility water system in Wrightwood, a mountain resort community, located in the western section of San Bernardino County. In this proceeding the Commission is asked to authorize an increase in the rate schedules for all water service.

A public hearing in this proceeding was held in Wrightwood before Examiner M. R. MacKall.

Swarthout Valley Water Company serves water in a subdivided development of which twelve tracts are in San Bernardino County and one tract in Los Angeles County. In addition thereto, a unit of 100 acres, more or less, is devoted to mountain estates and small farming parcels. The service area is in Swarthout Valley, a narrow mountain valley lying on and along the northerly slope of the San Gabriel Mountains, the valley elevation ranging from 6,000 to 6,750 feet. The community principally is a summer playground; however, in recent years it has become a popular resort for winter sports. An increasing number of consumers now reside in Wrightwood the year around.

The principal source of water supply is a creek in Government Canyon, fed by mountain springs. Water is diverted by a small dam into a steel pipe line and delivered by gravity into a 150,000-gallon storage tank. Two wells, equipped with pumping plants having a combined capacity of 500 gallons per minute, provide

additional water when required. There are several other diversions from springs in side canyons and five additional steel storage tanks from 7,000 to 52,000 gallons in capacity. The distribution system consists of 56,407 feet of steel pipe lines varying from one inch to eight inches in diameter.

At the end of the year 1946 there were 369 domestic consumers, all served through meters except three. Four consumers were furnished water for irrigation purposes. There are 54 fire hydrants connected to the water mains.

The evidence presented in this proceeding shows that the operating revenues and expenses, including depreciation for the calendar years 1944, 1945 and 1946, were as follows:

	<u>Year</u> <u>1944</u>	<u>Year</u> <u>1945</u>	<u>Year</u> <u>1946</u>
Revenues	\$6,660	\$6,503	\$7,334
Expenses	5,382	7,998	6,181

An analysis of the company's books and vouchers revealed that no charges had been made during the year 1946 for accounting and legal expenses. Supervisory expenses had been charged for only a portion of the year. These charges all had been absorbed by The Wrightwood Company, an affiliated corporation owning and controlling the real estate in the townsite development.

Applicant claimed the original cost of its water system properties amounted to a total of \$137,687. The appraisements of the various physical properties were in a large part based upon appraisals made by engineers of the Public Utilities Commission, exclusive of lands and rights of way, which amounted to \$12,750. The dates of the land appraisements varied from the year 1937 and 1942. Also included in the above total figure was the sum of \$27,125 for water rights based upon the ownership of a net safe yield of 30 minor's inches of water at \$900.00 per minor's inch.

Mr. James F. Wilson, one of the Commission's engineers, reported the fixed capital as of December 31, 1946, to be \$110,687. This amount was determined by adding the net additions to fixed capital to the amount of \$80,503 heretofore established by this Commission for rate fixing purposes, in Decision No. 30255, dated November 20, 1937. The company's books showed \$16,380.97 charged to

"Donations in Aid of Construction" which amount had been advanced by The Wright-wood Company to defray the cost of pipe line extensions and is subject to refund by the Water Company.

From the evidence presented the following tabulation shows the results of operation for the calendar year 1946, using the fixed capital figures presented by the Commission's engineer, which is exclusive of water rights:

<u>Item</u>	<u>Year 1946</u>
Operating Revenues	\$7,334
Operating Expenses	<u>6,181</u>
Net Operating Revenues	\$1,153
 <u>Rate Base</u> 	
Average Fixed Capital	\$101,179
Donations in Aid of Construction	<u>16,381</u>
Subtotal	\$ 84,798
Working Capital	\$ 1,500
Materials and Supplies	<u>1,200</u>
Undepreciated Rate Base	\$87,498
Rate of Return	1.32%

The rate schedule for domestic use currently in effect is on an annual basis, the minimum charge being payable in advance. The water year on this system begins June 1st of each year. The minimum charge for the standard domestic water meter is \$15.00 per year for which 6,000 cubic feet of water are furnished. Additional usage is charged at the rate of 22½ cents, 15 cents and 10 cents per 100 cubic feet. Applicant proposes to increase the minimum charge to \$21.00 per year for which 6,000 cubic feet of water will be furnished with the corresponding charges for additional water at the rate of 31½ cents, 21 cents and 14 cents per 100 cubic feet. The applicant proposes to increase the charge for fire hydrants from \$1.25 to \$1.75 per month, and the charge for "Intermittent Irrigation Service" from 4 cents per 100 cubic feet to 5.5 cents per 100 cubic feet. Evidence at the hearing indicated that if the proposed rate schedules had been in effect during the calendar year 1946 the net operating revenues would have increased from \$1,153 to \$3,316 and the rate of return would have increased from 1.32% to 3.79%.

The valuation of applicant's property determined in Decision No. 30255 and used as a base historical cost figure by Mr. Wilson, was exclusive of water rights. Applicant protested that the water rights had a very considerable value, particularly those rights appertaining to creeks and springs and, furthermore, that applicant had spent large sums of money in perfecting and protecting such rights.

Mr. Louis J. Coughlin, consulting engineer for applicant, testified that the yield of the company's springs and diverted waters, as distinguished from well water, amounted to 58½ miner's inches, which he valued at \$1,000 per miner's inch. However, in view of the fact that a full net return upon the capital, over and above costs of operation and depreciation, is not in issue in this proceeding, the determination of a value for intangible property rights is unnecessary.

Several consumers protested against the payment of an annual charge for water when actually they used the water only for a few months during the summer and but intermittently at other times during the year. It is true that most of the water users are summer residents, but it is also true that there is a very substantial winter demand, rapidly increasing, in addition to the year-around use by the permanent residents. This entire system must be in operation throughout the entire year. To design a non-discriminatory monthly rate schedule would result in sliding scale charges too complicated and cumbersome to be practicable and too expensive an operation.

Some discussion arose over the fire protection service. It appears that the hose connections are not standard. Alteration in the thread connections can easily be made through installation of adaptors and should be effected by the utility at an early date. The evidence shows that heretofore The Wrightwood Company has paid the utility for fire hydrants but has discontinued so doing since the first of 1947. No revenues therefore will be derived from this source unless and until a local fire district or some other organization is formed which can raise funds to maintain this service, a most vital one in the heavily wooded Swarthout Valley. The testimony of Stewart F. Mangold of the United States Forestry Service, assigned

to this area, was to the effect that the fire hydrants on this system performed a most vital function in the Valley and had prevented the loss of several homes and great property damage in Wrightwood during the past several years and especially during the present exceptionally dry season. Every effort should be made by the local residents and the utility to maintain the fire protection service.

The request made through amendment to the application to authorize a charge for all new service connections and meters, subject to refund, cannot be approved. Any inequities which may arise from failure of a new applicant or consumer to use water as a bona fide customer can be handled through the rule covering temporary water service.

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Swarthout Valley Water Company, a corporation, for water delivered to its customers in the territory comprising Wrightwood, San Bernardino County, are unjust and unreasonable in so far as they differ from the rates herein established; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in rates authorized by this decision is hereby found to be justified; 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 Swarthout Valley Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with the Commission's General Order No. 96, within thirty (30) days from the date of this Order, the following schedules of rates for all water service rendered to its customers on and after December 1, 1947:

Schedule No. 1

GENERAL METER RATES

Applicability:

Applicable to all water service rendered on a metered basis, except intermittent irrigation service.

Territory:

In the territory comprising Wrightwood, San Bernardino County.

Rates:

Per Meter
Per Month

Quantity Rates:

First 6,000 cubic feet, or less	\$21.00
Next 6,000 cubic feet, per 100 cubic feet315
Next 8,000 cubic feet, per 100 cubic feet21
Over 20,000 cubic feet, per 100 cubic feet14

Annual Minimum Charge:

For 1/2-inch meter	\$21.00
For 5/8 x 3/4-inch meter	21.00
For 3/4-inch meter	25.00
For 1-inch meter	33.00
For 1 1/2-inch meter	50.00

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

Special Conditions:

Annual Minimum Charges are payable in advance.

Schedule No. 2

INTERMITTENT IRRIGATION SERVICE

Applicability:

Applicable to intermittent irrigation service furnished when water is available.

Territory:

In the territory comprising Wrightwood, San Bernardino County.

Rates:

Per Meter
Per Year

Quantity Rates:

150,000 cubic feet, or less	\$82.50
All over 150,000 cubic feet, per 100 cubic feet055

Schedule No. 2 - Continued

INTERMITTENT IRRIGATION SERVICE

Rates - Continued:

Per Meter
Per Year

Annual Minimum Charge:

For 2-inch meters, or larger \$82.50

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

Special Conditions:

1. This type of service will be furnished to irrigate commercial farm crops, and is subject to the prior demands of domestic consumers and to rotation of service among intermittent irrigation users.

Schedule No. 3

FIRE HYDRANT RATES

Applicability:

Applicable to all fire hydrant service.

Territory:

In the territory comprising Wrightwood, San Bernardino County.

Rates:

Per Hydrant
Per Month

For hydrants connected to mains less than
4 inches in diameter \$1.50

For hydrants connected to mains 4 inches
in diameter or larger 1.75

Special Conditions:

1. Fire hydrant charges are payable in advance.
2. The above charges include the costs of maintaining and repairing hydrants.

IT IS HEREBY FURTHER ORDERED as follows:

1. That Swarthout Valley Water Company, within sixty days after the date of this Order, shall file four copies of a suitable map or sketch of the entire utility area of service, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereon in distinctive markings the boundaries of its service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map

or sketch shall not be considered as a final or conclusive determination or establishment of the dedicated area of service.

- 2. That Swarthout Valley Water Company, within sixty days after the date of this Order, shall file four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, of the entire area of service, delineating correctly thereon by appropriate markings the various tracts of land in the territory served. Such map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service; provided, however, that such filing shall not be construed as a final determination or establishment, in whole or in part, of the dedicated area of service.

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

Dated at Los Angeles, California, this 28th day of October, 1947.

Harold A. Kule
Justice F. Casper
P. J. [unclear]
Samuel [unclear]
 Commissioners.