

Decision No. 41615

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

SEARLES DOMESTIC WATER COMPANY

for an order authorizing it to: --

1. Enlarge its service area and extend its operations.
  2. Revise and supersede its water supply contract.
  3. Issue additional shares, and
  4. Adjust its water rates.
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**ORIGINAL**

Application  
No. 29234

A. J. Anderson, Vice President of Applicant;  
J. L. Robinson, Secretary of Applicant; and  
Gibson, Dunn & Crutcher, by Woodward M. Taylor,  
for Applicant.

### O P I N I O N

In this application, Searles Domestic Water Company, hereafter sometimes referred to as Applicant, seeks authority to enlarge its service areas and its type of service so that water may be furnished for domestic use, limited commercial or retail establishment use, and/or small industrial enterprise use to the following described areas:

Argus Townsite: All thereof (excepting the  $W\frac{1}{2}$  of Block 5, all of Blocks 6, 7, 8, 9, 21, 22 and Lots 9, 10, 11 and 12 of Block 35).

Argus Townsite Addition: All of Lot 10 and the  $W\frac{1}{2}$  of Lot 9 of fractional Section 19, Township

25 South, Range 45 East, Mt. Diablo Base and Meridian.

Point of Rocks: Those portions thereof consisting of:

E $\frac{1}{2}$  of NE $\frac{1}{4}$  of Section 5;  
E $\frac{1}{2}$  of W $\frac{1}{2}$  of NE $\frac{1}{4}$  of Section 5;  
SW $\frac{1}{4}$  of SW $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 4;  
NE $\frac{1}{4}$  of SW $\frac{1}{4}$  of Section 4;  
E 280 ft. of NE $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 5;  
all in Township 25 South, Range 43 East,  
Mt. Diablo Base and Meridian.

Trona: Those portions thereof consisting of:

SW $\frac{1}{4}$  of Section 8;  
W $\frac{1}{2}$  of SE $\frac{1}{4}$  of Section 8;  
W $\frac{1}{2}$  of E $\frac{1}{2}$  of SE $\frac{1}{4}$  of Section 8;  
NW $\frac{1}{4}$  of Section 17;  
W $\frac{1}{2}$  of Section 17;  
W $\frac{1}{2}$  of SW $\frac{1}{4}$  of Section 17;  
E $\frac{1}{2}$  of Section 18;  
NE $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 19;  
all in Township 25 South, Range 43  
East, Mt. Diablo Base and Meridian.

Applicant also asks the Commission to authorize it to enter into a new water purchase contract, to adjust its rates, revise its Rule and Regulation No. 19, and to issue and sell at \$25 per share 2,200 shares of its no par capital stock.

Applicant is a corporation organized and existing under and by virtue of the laws of California. All of its outstanding stock is owned by American Potash & Chemical Corporation, hereafter referred to as the Corporation. Applicant is engaged in the operation of public utility water systems pursuant to the authority granted by Decision No. 36822, dated January 12, 1944, as amended by Decision No. 36939, dated March 14, 1944, in Application No. 25812. It is presently selling water for domestic use only within Argus Townsite, Point of Rocks, and a portion of Trona, all of which are unincorporated communities located along the westerly shore-line of Searles Lake, San Bernardino County, California. In Trona, Applicant serves only the Federal Housing

Project. This service is rendered under a special contract. All water sold by Applicant is purchased by it from the Corporation under a contract approved by Decision No. 36822.

The Corporation is engaged in the business of recovering certain minerals and chemicals from the deposits of Searles Lake, in the vicinity of Trona, and in processing the brine from the Lake and producing from it, among other things, potash, borax, boric acid, sodium sulphate, salt cake, soda ash and bromine. To operate its plant and facilities and supply water to its employees and their families, the Corporation developed a supply of fresh water from several sources. Last year these sources produced about 247,000,000 gallons of water. About two-thirds of this supply was obtained from the area known as Indian Wells Valley. The amount of water that can be obtained from that source is threatened to be reduced by the large withdrawal of water from the same area by the Naval Ordnance Training Station at Ridgecrest. In the meantime, the domestic consumption of water has increased from 11% of the amount (230,000,000 gallons) produced in 1943 to about 35% of the total produced in 1947. The testimony shows that it is essential that steps be taken to conserve the fresh (potable) water now available until an added supply can be obtained.

The Corporation owns the town of Trona and conducts all the business in it except that carried on by its concessionaire, the Anderson Boarding and Supply Company. It constructed in Trona a fresh water distribution system which supplies potable water to not only the residents of Trona but also to the Corporation's bunkhouses, the Anderson Boarding and Supply Company, the Trona

Railway, the Corporation's offices, laboratory and retail establishments. The rent paid for residences includes water which is not metered. As a step in conserving the use of water it has been concluded to transfer the domestic water business in Trona to Searles Domestic Water Company.<sup>(1)</sup> Applicant will distribute water in Trona through the joint use of the distribution facilities of the Corporation. The Corporation will maintain the distribution system. Applicant will pay as rent for the use of the distribution system an amount approximately equal to 40% of the accruing depreciation in the distribution system. It will meter all domestic use and pay the cost of meters and their installation.

As said, the water which Applicant is now selling is purchased from the Corporation under a contract approved by the Commission by Decision No. 36822. Under the terms of this contract, the Corporation agrees to sell to Applicant, at 12¢ per 1,000 gallons, not exceeding 20,000,000 gallons of surplus water per annum produced from the sources mentioned in the contract. Because of the increased demand upon Applicant for water service and the additional territory which Applicant desires to serve, it becomes necessary for Applicant to purchase additional water. It has, subject to Commission authorization, entered into a new contract with the Corporation for the purchase of not exceeding 55,000,000 gallons of water per annum at 19¢ per 1,000 gallons. A copy of the new contract is filed in this application as Exhibit "4". The testimony shows that the price which the Corporation is asking Applicant to pay for water does not include any return on the Corporation's investment in its water production, transmission and chlorination facilities.

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<sup>(1)</sup> The Corporation maintains a second distribution system in Trona for the supply of brackish water (non-potable) without charge for irrigation, desert coolers and fire protection.

Applicant is now authorized to charge the following rates for water service:

<u>Quantity Charge:</u>	<u>Per Meter Per Month</u>
First 1,000 gallons or less . . . . .	\$1.00
Next 2,000 gallons, per 100 gallons . . .	.08
Over 3,000 gallons, per 100 gallons . . .	.06
<u>Minimum Charge:</u>	
5/8 x 3/4 inch meter . . . . .	\$1.00
3/4 inch meter . . . . .	1.50
1 inch meter . . . . .	2.00
2 inch meter . . . . .	2.50
3 inch meter . . . . .	3.00

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

Applicant asks permission to charge within the Argus Townsite, Point of Rocks and Trona, the following rates for domestic household purposes, for commercial or retail establishments and small industrial enterprises:

<u>Quantity Charge:</u>	<u>Per Meter Per Month</u>
First 500 gallons or less . . . . .	\$0.75
Next 2500 gallons, per 100 gallons . . . .	.05
Next 3000 gallons, per 100 gallons . . . .	.07
Over 6000 gallons, per 100 gallons . . . .	.10
<u>Minimum Charge:</u>	
5/8 x 3/4-inch meter . . . . .	\$0.75
1-inch meter . . . . .	1.50
1 1/2-inch meter . . . . .	2.00
2-inch meter . . . . .	2.50
3-inch meter . . . . .	3.00

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

Service would be rendered subject to the following special conditions:

1. A separate meter and service connection is required for each single family residence, each commercial or retail establishment and each industrial enterprise regardless of the customer's single ownership or control of the premises served or to be served, and

2. The company reserves the right to limit water service to any manufacturing, processing, industrial or commercial

enterprise to not exceed 60,000 gallons per month.

For water furnished to and within the buildings and grounds of public schools situated within Argus Townsite, Point of Rocks and Trona, Applicant would charge the following rates:

<u>Quantity Charge:</u>		<u>Per Meter Per Month</u>
First	1,000 gallons or less . . . . .	\$1.00
Next	399,000 gallons, per 100 gallons . . .	.03
Next	400,000 gallons, per 100 gallons . . .	.05
Over	800,000 gallons, per 100 gallons . . .	.10
<u>Minimum Charge:</u>		
5/8 x 3/4-inch meter	. . . . .	\$1.00
1-inch meter	. . . . .	1.50
1 1/2-inch meter	. . . . .	2.00
2-inch meter	. . . . .	2.50
3-inch meter	. . . . .	3.00

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

Water service to buildings and grounds of public schools is limited to public school purposes.

Applicant is making no change in its fire hydrant rates now on file with the Commission.

Applicant's proposed rates are designed to reduce the individual consumption of water by the use of an unusual rate schedule in that the charge per 100 gallons of water increases as the consumption per month increases. Consumers who use less than 6,750 gallons of water per month will pay less for water under the proposed rates than under Applicant's present rates. On the other hand, if the use per month exceeds 6,750 gallons, the consumer will pay more.

Applicant's actual and proposed investment in its water properties for the year 1948 is reported at about \$123,000. Its estimated operating revenues for 1948 will amount to approximately

\$36,700, its operating expenses to \$33,275, and its net operating revenue to \$3,425, which represents a return of about 2.76% on its investment.

Applicant's proposed rates appear reasonable.

Applicant asks permission to amend its Rule and Regulation No. 19 relating to water main extensions so that it will be required to install at its own expense not in excess of 100 feet of pipe (now 150 feet) to serve a new consumer. It further proposes to amend its Rule and Regulation No. 19 to serve tracts and subdivisions which would obligate it to refund to the depositor, or other party entitled thereto, for a period of not exceeding ten years from the date of the completion of the main extension, annually, 35% of the gross revenue collected for water service furnished its customers occupying the property to which the extension has been made, provided the total payments by the company shall not exceed the amount of the original deposit without interest.

Applicant asks permission to issue and sell 2,200 shares of its no par capital stock at \$25 a share. All of the stock will be acquired by the Corporation. Applicant will use the stock proceeds for the following purposes:

Replace 3" Transite Line from Trona to Argus with 7" Steel Line	\$21,311.18
Install Meters to Residences at Trona	20,516.00
Moving and Installing Wood Stave Tank from Argus to Pioneer Point and Purchase of Service Truck	3,437.00
Install Feeder and Discharge Lines to and From Re-located Tank at Pioneer Point	8,148.30
Argus Addition - Contemplated Initial Installments	<u>1,830.00</u>
	<u>\$55,242.48</u>

The above expenditures are needed to conserve water and improve Applicant's service.

Applicant has filed with the Board of Supervisors of San Bernardino County an application for an amended franchise. Bids for the franchise will be opened May 24. If Applicant is the successful bidder it will file with the Commission a copy of the new franchise. At the hearing it amended its application and asks the Commission to grant it a certificate of public convenience and necessity to exercise the rights and privileges obtained under the new franchise. The granting of such certificate will be considered by the Commission after it has received a certified copy of the ordinance of San Bernardino County granting Applicant a new or amended franchise.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application and being fully advised in the premises,

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the construction, maintenance and operation of public utility water systems by Searles Domestic Water Company in the areas described in the foregoing opinion, for the purpose of enabling it to sell water for domestic use, limited commercial or retail establishment use, and/or small industrial enterprise use.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is hereby, granted to Searles



Domestic Water Company to construct, maintain and operate public utility water systems in said areas, such certificate of public convenience and necessity being an enlargement of the certificate of public convenience and necessity granted by Decision No. 36822, dated January 12, 1944, as amended by Decision No. 36939, dated March 14, 1944.

IT IS HEREBY FOUND AS A FACT that the rates now charged by Searles Domestic Water Company for water delivered to its customers in and about the area covered by said Decision No. 36822, as amended by said Decision No. 36939, are unjust and unreasonable insofar 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 Searles Domestic Water Company be, and it is hereby, authorized to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with this Commission's General Order No. 96, within thirty (30) days from the effective date of this order, the schedule of rates referred to in the foregoing opinion, such rates to be charged for all water service rendered to its customers on and after the first day of June, 1948.

IT IS HEREBY FURTHER ORDERED that Searles Domestic Water Company shall, within sixty (60) days after the effective date of this order, file four (4) copies of a suitable map or

sketch of its entire utility area of service, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon 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 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 Searles Domestic Water Company shall, within sixty (60) days after the effective date of this order, file with this Commission four (4) copies of a comprehensive map, drawn to an indicated scale of not less than 600 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 Searles Domestic Water Company be, and it is hereby, authorized to enter into an agreement to purchase water at nineteen cents (19¢) per one thousand (1,000) gallons from American Potash & Chemical Corporation, substantially in accordance with the terms and conditions of the agreement filed in this proceeding as Exhibit "4".

IT IS HEREBY FURTHER ORDERED that Searles Domestic Water Company be, and it is hereby, authorized to amend its Rule and Regulation No. 19 as indicated in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that Searles Domestic Water Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1948, at not less than \$25 per share, two thousand two hundred (2,200) shares of its capital stock, and use the proceeds for the purposes set forth in the foregoing opinion, the Commission being of the opinion that the money, property or labor to be procured or paid for by the company through the issue of said stock is reasonably required by the company for said purposes, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that Searles Domestic Water Company shall file with the Commission monthly reports as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the execution of the agreement covering the purchase of water, Searles Domestic Water Company shall file with the Commission a certified copy of said agreement.

IT IS HEREBY FURTHER ORDERED that the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 18th day  
of May, 1948.

A. J. Indurana  
Justice J. G. Garrow  
Charles H. Lomaco  
Harold P. Hule  
Kenneth W. Potter  
Commissioners