

Decision No. 42010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of
RANDBURG WATER COMPANY

for an order authorizing increase of
rates for water service, and for
interim order authorizing immediate
increase of rates for water service.

Application No. 29502

ORIGINAL

Thomas J. Kelley, for applicant;
James B. Nossler, Jr., for himself.

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 and Johannesburg in Kern County; and Red Mountain, and Atolia in San Bernardino County, asks the Commission to establish an interim rate to cover the cost of hauling water from the Judge Well, and further asks that said rate be made permanent at the earliest possible date.

Applicant alleges that owing to its Mountain Well being unable to produce a sufficient quantity of sweet water to meet the demands of the consumers, and the unexpected depletion of the supplemental supply of water from Butte Mine, it will be necessary to provide additional water by hauling from the Judge Well, in order to maintain adequate service and deliver a satisfactory quality of water. The Commission is requested to authorize a rate providing for a minimum monthly charge of \$3.25 for the first 400 gallons of water or less, and \$0.75 per 100 gallons for all use in excess of the minimum allowance.

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

Applicant normally obtains water from its Mountain Well, located six miles northeasterly from Randsburg. Storage is provided by five tanks, having a total capacity of 109,000 gallons. The water is transmitted and distributed through 47,361 feet of pipe lines varying from four to 3/4 inches in diameter. There are 338 consumers being served, all on a metered basis. The rates in effect provide for a minimum monthly charge of \$2.25 and an allowance of 400 gallons. The charges for additional water are reduced through four blocks to \$0.20 per 100 gallons for all use over 30,000 gallons.

The record shows that the daily production of water by the Mountain Well has gradually decreased from 15,000 gallons to between 9,000 and 10,000 gallons. In order to provide an additional supply, water has been purchased from the mine of Butte Lode Mining Company at \$2 per 1,000 gallons. However, the quality of this water is highly unsatisfactory and objectionable because of its high mineral content. This is true even when blended with the Mountain Well supply. The State Board of Health has directed applicant to discontinue the use of the Butte Mine Water and to provide a proper quality of water from some other source. This order, together with an unexpected decrease in water production by the mine, has made it necessary to obtain immediately additional water to meet system demands. This situation has created a serious emergency since applicant has no other reserve sources readily available. The only adequate supply of good water within a reasonable distance from the service area is the Judge Well, located 4 1/2 miles northwesterly from Randsburg but approximately 1,000 feet lower in elevation, introducing a costly pumping problem. There is at present no pipe line installed from this well to Randsburg, so water therefrom will have to be hauled by tank truck to the water company's nearest reservoir. Applicant has an oral agreement with Mr. James Alspaugh, who controls the Judge Well, to purchase water from him at a rate of

\$0.75 per 1,000 gallons at the well. Bids for trucking the water have varied from \$3 to \$5 per 1,000 gallons. Applicant asks that the interim rate be established for a period of at least three months upon the ground that the bidding trucking firms will not enter into a contract to haul water for a shorter period.

Mr. Clifford K. Dennis, manager for the water company, testified that a daily supply of approximately 9,000 gallons of well water, requiring hauling and delivery to the highest distribution tank would cost as follows:

Cost of water at Judge Well	\$0.75	per 1,000	gallons
Hauling water in tank trucks	3.00	"	"
Power for boosting	.30	"	"
Miscellaneous labor	.62	"	"
Subtotal	<u>4.67</u>	"	"
System loss @ 22%	1.02	"	"
Subtotal	<u>5.69</u>	"	"
Incidental expenses, 10%	.57	"	"
Estimated total cost to applicant	<u>6.26</u>	"	"

The reasonableness of including certain of the above labor and incidental expenses was questioned since portions thereof are duplicated in the existing routine labor and management charges. The system losses are not properly a part of this estimate because the determination of the revenues is based upon the sales of water delivered and are therefore already fully accounted for. Analysis and study of the evidence presented on this phase of operations indicates that the total reasonable additional cost to applicant through use of Judge Well water delivered to its distribution system by trucking as proposed will not be in excess of \$5 per 1,000 gallons.

Mr. Dennis was unable to estimate the total expense that would be incurred in delivering the proposed supply by hauling, or the revenues that would be produced by the proposed rate. He stated that the increased rate might result in some reduction in the use of water, but could, however, result in greater use because of the better quality of the water. A comparison of charges for water delivered under the rates presently in effect and the proposed rates shows an increase that varies from 44% for the minimum quantity of

400 gallons, or less, to 186% for the delivery of 60,000 gallons per month which is the maximum recorded during the year of 1947. However, the present rate schedule contains a block quantity rate that is the same as the cost of purchased mine water at the \$2 rate. This indicates that some adjustment in the low brackets will be required.

In order that additional relevant and essential data be made available for consideration in connection with this matter, the records of prior formal matters involving this utility were made a part of this proceeding by stipulation.

Set out below is the record of water purchased from Butte Mine and water pumped from applicant's Mountain Well for the year 1947, and also for the 12-month period ending April 30, 1948.

Period	Gallons				
	Purchased Water		Mountain Well	Total	Daily
	Total	Average	Total	Average	Supply
January 1, to December 31, 1947	1,535,790	4,210*	4,028,322	11,056	15,260
May 1, 1947 to April 30, 1948	1,801,940	4,900*	3,848,625	10,540	15,480

(* - Average maximum daily of 6,430 gallons during July, 5,200 gallons during August, and 4,900 gallons during September - all in 1947.

The above table shows that, upon the assumption the Mountain Well will continue to produce approximately 10,000 gallons per day, it will be necessary only to haul in excess of 5,000 gallons per day to make up the deficiency between well production and demand, based upon 1947 water consumption.

Mr. James Alspaugh testified that he has a large surplus of water from said well available which he is ready and willing to sell and deliver to applicant. He had testified previously concerning

the sale and also to the delivery of water to applicant at the hearing held in Application No. 28825 and at that time had submitted proposed rates for various blocks of water to be delivered to the distribution system of Randsburg Water Company. However, he was compelled to revise the former schedule by reason of an increase in electric charges recently made effective throughout the Rand District. He also testified that he had a verbal agreement to use the Yellow Aster Mining Company's pipe lines and booster pumps, and that water from Judge Well could be delivered by relocation of certain of these facilities to applicant's highest tank.

The following delivery rates were offered by Mr. Alspaugh:

From 5,000 to 10,000 gallons per day -	\$5.40 per 1,000 gallons
From 10,000 to 15,000 gallons per day -	\$3.00 per 1,000 gallons
From 15,000 to 20,000 gallons per day -	\$2.40 per 1,000 gallons
From 20,000 to 25,000 gallons per day -	\$1.90 per 1,000 gallons

This witness stated that the charges for less than 20,000 gallons per day were governed by the minimum power charge for the 300 installed horsepower which includes pump and booster plants necessary to produce and lift the water approximately 1,200 feet from the well collar to the Yellow Aster Mining Company's reservoir. Although Mr. Alspaugh desired a one-year contract for any of the above blocks of water, he stated that there were possibilities of selling water to others on a temporary basis for mining purposes in the vicinity of Randsburg through privately-owned pipe lines, and that the rate to applicant would be governed by the total sales for all purposes. Under such a plan additional and increased water sales would operate to reduce to applicant the cost of water as set forth above. He estimated that the Yellow Aster pipe lines and booster plants very probably could be placed in operation in two weeks' time.

For purposes of comparison, the results of operation for the year 1947, as set out in the Commission's Decision No. 41869, issued July 20, 1948, Application No. 28825, are shown under present rates, together with the estimated results under the proposed rates based on hauling 6,000 and 9,000 gallons per day, respectively, and the purchasing from Alspaugh through proposed pipe line delivery of 6,000 and also delivery of 15,000 gallons per day.

RESULTS OF OPERATION

Item	Requested Rates				
	Hauling 6,000 gallons per day at Present: Rates	Hauling 9,000 gallons per day at \$5 per 1,000 gallons	Hauling 6,000 gallons per day at \$5 per 1,000 gallons	Alspaugh 6,000 gallons per day at \$5.40 per 1,000 gallons	Alspaugh 15,000 gallons per day at \$2.40 per 1,000 gallons
Rate base	\$93,207	\$93,207	\$93,207	\$93,207	\$93,207
Operating rev.	21,514	36,200	36,200	36,200	36,200
Operating exp.	16,684	24,800	30,200	25,800	24,900
Net operating exp.	4,830	11,400	6,000	10,400	11,300
Return	5.23%	12.2%	6.4%	11.1%	12.1%

It is apparent from the above tabulation that approximately the same results of operation are obtained by applicant's hauling 6,000 gallons per day, or by contracting for direct firm delivery by Alspaugh of either 6,000 or 15,000 gallons per day through the proposed Aster pipe lines. The same is true of any other quantity in excess of the 6,000 gallons. It is clear therefore that for an increased and adequate firm water supply it is cheaper and to the best interests of all parties concerned that applicant haul water only until it can take its entire supply through the Aster pipe lines. Applicant will be expected to take immediate steps to this end without delay. The Mountain Well can then be held in reserve and efforts be made to restore its former higher yield.

The above tabulation shows that under the rates proposed by applicant all of the operations, except the hauling of 9,000 gallons per day, result in an excessive return. The requested

schedule therefore should be modified accordingly. No protest was made to applicant's proposal to haul water during the pending emergency or to any necessary increased charge provided it be reasonable and proper. The consumers testifying desired and insisted upon a water of better quality even though the cost be greater than the present supply. They stated that the water being delivered was unfit for cooking, washing, and drinking purposes and that bottled water had to be purchased or water hauled from outside sources, in some instances as far distant as San Bernardino. Some customers stated that the delivery of a good quality of water would increase the demand regardless of increased price because all use of the present unsatisfactory water was held to an absolute minimum.

Under the circumstances a temporary schedule of rates will be established effective for a period of three months only. This period of time should be ample to permit applicant to enter into negotiations and conclude an agreement with Mr. James Alspaugh for the direct delivery of water by means of pipe line to the distribution system of the water company. This temporary schedule of rates will increase the revenues of this utility for the three months' period approximately \$2,200, based upon the purchase of 6,000 gallons of water daily and delivery to the applicant's system by trucking.

Owing to the critical situation presently existing and the pressing necessity for securing this additional water supply, it is hereby found that public interest and necessity require that the effective date of this decision be August 31, 1948, and that the rates prescribed herein become effective on September 1, 1948, and the following Order will so provide.

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 submitted, and the Commission finding that a temporary emergency increased schedule of rates is justified and should be authorized.

IT IS HEREBY ORDERED that within thirty (30) days from the date of this Order, Randsburg Water Company, a corporation, is authorized and directed to file in quadruplicate the temporary emergency schedule of rates set forth in Exhibit A attached hereto, said schedule of rates to be charged for all water service rendered on and after September 1, 1948, and to remain in full force and effect only to and including the thirtieth (30th) day of November, 1948.

IT IS HEREBY FURTHER ORDERED as follows:

1. That upon the expiration of the effectiveness of the above authorized temporary emergency schedule of rates, the schedule of rates heretofore in effect as established by this Commission in its Decision No. 36563, dated the 24th day of August, 1943 (Application No. 24161), shall again become in full force and effect for all water service rendered by Randsburg Water Company on and after December first (1st), 1948, unless and until otherwise ordered by this Commission.
2. Randsburg Water Company shall file with this Commission two certified copies of the final instrument of agreement with James Alspaugh for delivery of water from the Judge Well by pipe lines to said company's distribution system within ten (10) days from final consummation of said agreement.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California, this 31st day of

August, 1948.

R. B. Anderson
W. A. Powell
Kenneth Potter

Commissioners.

EXHIBIT A

TEMPORARY EMERGENCY SCHEDULE OF RATES

METER RATES

APPLICABILITY

Applicable to all domestic, commercial, and industrial metered water service.

TERRITORY

The unincorporated towns of Randsburg and Johannesburg, and vicinity, in Kern County; and Red Mountain and Atolia, and vicinity, in San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Charge:	
First 400 gallons, or less.....	\$ 3.00
Over 400 gallons, per 100 gallons.....	.60
Minimum Charge:	
For 5/8 x 3/4-inch meter.....	3.00
For 3/4-inch meter.....	4.00
For 1-inch meter.....	6.00
For 1 1/2-inch meter.....	9.00
For 2-inch meter.....	11.00
For 3-inch meter.....	16.00
For 4-inch meter.....	25.00

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