

and sold at public auction to Culbert W. Faries in 1945, and Desert Estates Mutual Water Company, purchased by Mr. Faries in 1947.

The water supply for the system is obtained from three wells of 350, 150, and 100 gallons per minute capacity, respectively. Storage is provided by five tanks and a 50,000-gallon reservoir, from which water is conveyed through a distribution system consisting of 278,600 feet of pipe varying from 2 to 5½ inches in diameter. Water service is furnished to a total of 433 customers, of whom 405 are metered. The system is entirely interconnected and is more completely detailed on the map filed as Exhibit No. 1.

Applicant's witness, James L. Goss, testified that an overall increase of 20 per cent in water could be supplied by the present system, and, in some areas, the demand could be doubled without unduly burdening either the distribution facilities or the supply of water.

Customers comprise all types of service found in a progressive desert resort community of a population of approximately 1,620, including a private swimming pool installed at a motel and several other private pools. Growth of the community which was moderate in 1949, a total of 16 additional customers having been added in that year, has subsided somewhat, and the evidence shows that but three new customers have been added in 1950 to date. Approximately 52 per cent of the customers consumed the minimum amount of water, or less, under the minimum monthly charge during 1949.

Applicant's present and proposed rates are shown in the following summary tabulation:

PRESENT AND PROPOSED RATES

| Item | Per Meter Per Month | |
|-----------------------------------|---------------------|----------|
| | Present | Proposed |
| Minimum Charge: | | |
| For 5/8-inch x 3/4-inch meter | \$ 1.50 | \$ 2.25 |
| " 3/4-inch meter | 1.75 | 2.75 |
| " 1-inch " | 2.50 | 3.25 |
| " 1 1/2-inch " | 3.50 | 4.00 |
| " 2-inch " | 5.00 | 5.00 |
| Quantity Rates: | | |
| First 500 cu. ft. per 100 cu. ft. | .30 | .45 |
| Next 1,000 " " " " " " | .25 | .40 |
| " 3,500 " " " " " " | .20 | .35 |
| " 10,000 " " " " " " | .15 | .30 |
| Over 15,000 " " " " " " | .15 | .25 |

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

A report on the results of operation for the years 1949 and 1950, introduced by Commission staff engineer Ed F. Catey as Exhibit No. 10, shows the following summary of earnings:

SUMMARY OF EARNINGS
YEARS 1949 AND 1950
(Per Exhibit No. 10)

| Item | 1949 Adjusted | | 1950 Estimated | |
|-----------------------------|---------------|----------------|----------------|----------------|
| | Present Rates | Proposed Rates | Present Rates | Proposed Rates |
| OPERATING REVENUES | | | | |
| Water Revenues | \$ 13,694 | \$ 21,450 | \$ 14,500 | \$ 22,800 |
| Deduct Uncollectibles | 60 | 90 | 70 | 100 |
| Operating Revenues | 13,634 | 21,360 | 14,430 | 22,700 |
| OPERATING EXPENSES | | | | |
| Source of Water Supply | 17 | 17 | 20 | 20 |
| Pumping | 3,901 | 3,901 | 4,060 | 4,060 |
| Transmission & Distribution | 3,498 | 3,498 | 3,620 | 3,620 |
| Commercial | 1,020 | 1,020 | 1,030 | 1,030 |
| General & Miscellaneous | 6,828 | 6,828 | 7,710 | 7,710 |
| Rent Expense | 960 | 960 | 960 | 960 |
| Subtotal | 16,224 | 16,224 | 17,400 | 17,400 |
| Taxes | 521 | 521 | 586 | 586 |
| 5% S. F. Depreciation | 4,122 | 4,122 | 4,329 | 4,329 |
| Total Operating Expense | 20,867 | 20,867 | 22,315 | 22,315 |
| NET REVENUE | (7,233) | 493 | (7,885) | 385 |
| UNDEPRECIATED RATE BASE | 117,000 | 117,000 | 122,000 | 122,000 |
| RATE OF RETURN | Loss | 0.42% | Loss | 0.32% |

(Red Figure)

The evidence shows that there were no abnormal or non-recurring expenses incurred by applicant in 1949 and that 1950 expenses were estimated to increase but nominally.

The applicant presented a statement showing a recorded loss on its books for 1949 of \$11,848, and an estimate that had the new rate been effective throughout the year, the loss would have been reduced to \$3,996. The company earning showing includes depreciation expense of \$9,268 on a straight-line basis. In the Commission staff showing, sinking fund annuity only was included as expense. If the interest charge on the reserve balance were included, there would be no net income available for dividends in 1950 even under the proposed rates.

There is substantial difference between the recorded fixed capital shown on the balance sheet, introduced by Mr. Goss as Exhibit No. 5, and the appraisal included in the Commission report, Exhibit No. 10. The difference is attributable to the fact that the company, in its books, entered assets purchased in bankruptcy at a depreciated value, whereas the Commission appraisal reflects actual or estimated historical costs. It is noted that consumers' advances for construction, in the amount of \$127,578 for 1949 and \$132,690 for 1950, were deducted in arriving at the rate base shown above.

In reply to questioning by several protestants, applicant's witness stated that applicant intends to have the system fully metered within four or five months, and that all customers would then be charged according to the metered tariffs.

Several protestants objected to the proposed rates, claiming that the increase was excessive and would place an undue burden upon domestic users. However, under the increased rates herein ordered, applicant

will not earn any return on its investment with the present development, and the increase in the over-all amount of additional revenue is considered justified.

Some rate relief was requested for swimming pool owners and operators by Howard Perkins and Kris Lincoln. Consideration of this request will be reflected in the rates ordered herein. The new rates also include a provision for an annual rate for seasonal users. The number of such seasonal users amounts to only ten per cent of the total, but the evidence indicates that an annual rate for seasonal users will recompense the company, in part, for standby service during the portions of the year when no revenue will be produced from the seasonal customer. Over all, the revenues to be derived from the rates ordered approximate the revenues from the rates requested by applicant.

Exhibit No. 10 included certain recommendations for possible economies of operation. The management is urged to give favorable consideration to these recommendations.

O R D E R

Twentynine Palms Utilities Company, a corporation, having applied to the Commission for an order authorizing an increase in water rates and charges, a public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96,

a schedule of rates shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after May 1, 1950.

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

Dated at San Francisco, California, this 21st day of March, 1950.

R. Z. Indurain
Justus F. Cravens
Grant L. Amell
Harold F. Hill
Herbert P. Potter
Commissioners.

Schedule No. 1

GENERAL METERED RATE

APPLICABILITY

Applicable to all water service furnished on an annual basis.

TERRITORY

In and in the vicinity of the unincorporated town of Twentynine Palms, San Bernardino County, as delineated on the map included in the Tariff Schedules.

RATES

| | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| Quantity Charge: | |
| First 500 cu. ft. or less..... | \$2.25 |
| Next 1,500 cu. ft., per 100 cu. ft..... | .40 |
| Next 8,000 cu. ft., per 100 cu. ft..... | .30 |
| Over 10,000 cu. ft., per 100 cu. ft..... | .20 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter..... | 2.25 |
| For 3/4-inch meter..... | 2.75 |
| For 1-inch meter..... | 3.25 |
| For 1 1/2-inch meter..... | 4.00 |
| For 2-inch meter..... | 5.00 |

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

SPECIAL CONDITIONS

1. This rate is available only to those customers desiring year-round water service. Schedule No. 2 applies to customers not desiring year-round water service.
2. Billings will be rendered monthly or bimonthly at the option of the utility.

Schedule No. 2

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to water service furnished on a seasonal basis.

TERRITORY

In and in the vicinity of the unincorporated town of Twentynine Palms, San Bernardino County, as delineated on the map included in the Tariff Schedules.

RATES

| Monthly Quantity Rates: | | <u>Per Meter</u> |
|-------------------------|--|------------------|
| First | 500 cu.ft. or less included in Annual Minimum Charge | |
| Next | 1,500 cu.ft., per 100 cu.ft..... | \$ 0.40 |
| Next | 8,000 cu.ft., per 100 cu.ft..... | .30 |
| Over | 10,000 cu.ft., per 100 cu.ft..... | .20 |

Annual Minimum Charge:

| | |
|---|-------|
| Seasonal residents who request service for four consecutive months only during the calendar year, payable yearly in advance before service is rendered (5/8 x 3/4-inch meter only)..... | 12.00 |
| For each additional month over four..... | 2.50 |

The Annual Minimum Charge will entitle the customer to 500 cubic feet of water for each month that service is requested.

SPECIAL CONDITIONS

1. Charges for water used in excess of 500 cubic feet per month will be billed monthly, bimonthly, or quarterly, at the option of the utility.