

**ORIGINAL**Decision No. 45569

## 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 an )  
interim order authorizing immediate )  
increase of rates for water service. )

Application No. 29502  
(Amended)

Thomas J. Kelley, for applicant;  
Margaret Tinney, a consumer, and  
James B. Nosser, for a group of  
consumers, protestants, and  
Harold J. McCarthy for the Commission  
staff.

O P I N I O N

Randsburg Water Company, a corporation, by its second amended application filed January 11, 1951, as again amended at the hearing March 27, 1951, requests the Commission to establish an increased schedule of rates. The original application in this matter was filed July 7, 1948, and several hearings have been held and decisions issued. By its Decision No. 44434, dated June 20, 1950, the Commission authorized the establishment of interim rates for water service. The rates so established are now in effect.

The original public hearing in this application was held before Examiner Stava on July 21, 1948, at Randsburg, California, at which time the matter was submitted. By its Decision No. 42010, dated August 31, 1948, the Commission authorized the establishment of temporary emergency rates. By its Decision No. 42814, dated April 26, 1949, the Commission reopened the proceeding. A public hearing on the reopened proceeding was held before Examiner Stava on May 5, 1949, at Randsburg, California, following which the Commission, by its Decision No. 43113, dated July 12, 1949, continued in effect the said temporary emergency rates and held the matter open for further order.

The first amended application was filed January 19, 1950. Public hearings on the amended application were held before Examiner Stava at Randsburg, California, on April 6 and 20, 1950, following which the Commission issued its aforementioned Decision No. 44434, dated June 20, 1950, and established a schedule of interim rates.

A further public hearing on the second amended application was held before Examiner Warner on March 27, 1951, at Randsburg, California. At this hearing, as noted hereinbefore, applicant again amended its application and the matter was submitted.

By stipulation at the original hearing in this matter, the record of prior formal matters involving this utility was made a part of the record of this proceeding by reference.

Randsburg Water Company furnishes water for domestic and commercial use in and in the vicinity of the unincorporated towns of Randsburg, Johannesburg, Red Mountain, and Atolia in Kern and San Bernardino Counties, California. During the year 1950, water service was furnished to an average number of 263 consumers who consumed a total of 3,451,000 gallons of water, paying therefor a total of \$25,424, at an average annual revenue of \$96.67 per consumer, for an average consumption per consumer of 13,122 gallons per year, or 1,094 gallons per month. All water service was furnished on a metered basis.

The territory served by applicant is desert mountain mining country, dry and sparsely settled. Scheelite, source of tungsten, is now the principal ore mined. Prior to December, 1948, securing and maintaining an adequate water supply had been a major and critical problem, and the record shows that applicant was plagued with many difficulties relating thereto, including forced abandonment of obtaining water from the Butte Lode Mining Company mine due to the fact that the water had become unpotable.

#6

Water is now obtained from two sources, viz., (1) applicant's own well, designated as the Mountain Springs Well, and (2) by purchase of water from The Sue Corporation. The record shows that these two sources now provide applicant with an ample supply of potable water.

A witness for applicant testified that applicant now pays The Sue Corporation \$900 per month for deliveries to applicant by The Sue Corporation, at a point on applicant's transmission system, of quantities averaging between 10,000 and 20,000 gallons per day. The contract for purchasing water is dated December 20, 1948, and is considered by the parties to be for a period of five (5) years. The record shows that James Alspach is a principal in both Randsburg Water Company and The Sue Corporation, and that when the original water purchase contract between James Alspach and Randsburg Water Company was effected, Alspach signed the contract as "seller," and that he now deposes to be an officer of applicant corporation; retaining, as well, his officership in The Sue Corporation. In view of these inter-corporate relationships, it is our opinion based upon the evidence that there could not have been and we here find that there was not arms-length negotiation of said contract. The inclusion of the water purchase costs in applicant's operating expenses for rate-making purposes, therefore, will be discussed hereinafter.

During the year 1950, water was produced and delivered in the amounts shown in the following tabulation:

	<u>Gallons</u>
Mountain Springs Well (pumped)	2,976,300
Sue Corporation (purchased)	<u>3,052,000</u>
Total Production (Pumped & Purchased)	6,028,300
Water Delivered to Consumers	<u>3,451,353</u>
Losses	2,576,947
Per Cent Loss	42.7%

The water losses shown above, which the record shows have also occurred in very substantial amounts over past years, were not accounted for in the evidence. However, it appears that in addition to normal line losses occasioned by leaks in mains and by differences in meter recordings, certain other abnormal losses occurred on this water system. A witness for applicant charged that it was a common practice for consumers to allow faucets to drip into containers. The water so dripped was in such small quantities, however, that meters would not register the amounts passing through them and in this way payment of higher monthly water bills was avoided. At prior hearings other charges were made that water was being sold to mining interests without such revenues as accrued therefrom being recorded on applicant's books. The record does not substantiate proof of such charges, but applicant should make every effort to keep water losses at a minimum.

In its various applications, applicant has alleged that its operations were being conducted at substantial annual financial losses, and considerable testimony was introduced bearing thereupon. The Commission staff, over the years, has submitted reports of investigations of the results of applicant's operations, each of which has indicated that certain of applicant's operating practices should be improved, particularly with respect to its bookkeeping and accounting practices. The record shows that such improvements have not been effected.

In its second amended application, as further amended at the hearing, applicant requested the establishment of a schedule of

increased rates. The following tabulation is a comparison of the present and proposed rates:

COMPARISON OF PRESENT AND PROPOSED RATES

		Per Meter Per Month		
		Present	Proposed in	Proposed
		Rates	Second	at Hear-
		Per D. 4434	Amend. Appl.	ing
		6-20-50	1-11-51	3-27-51

Quantity Charge:

First	300 gals., or less	\$ 3.00	\$	\$
Over	300 gals., per 100 gals.	.70		
First	500 gals., or less		5.00	
Next	19,500 gals., per 1,000 gals.		10.00	
First	1,000 gals., or less			10.00
Next	19,000 gals., per 1,000 gals.			10.00
Next	20,000 gals., per 1,000 gals.		6.00	6.00
Over	40,000 gals., per 1,000 gals.		4.00	4.00

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.00	\$ 5.00	\$10.00
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	-	-

Mining and Milling Charge:

Per Consumer

For conveyance of water, per 1,000 gals.	\$ -	\$ .10	\$ .10
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Flat Rate:

Per water cooler, per month	-	-	5.00
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Applicant also requested an increase of the present minimum deposit of \$5.00 to \$10.00 per consumer, in its second amended application, and to \$15.00 per consumer, in the amendment at the hearing. Also, in the second amendment ~~where~~ applicant requested *P. 3-27* the establishment of a meter moving charge of \$2.50 if more than twice in 12 months.

A profit and loss statement for the year 1950 was submitted at the hearing on March 27, 1951, by a witness for applicant as Exhibit No. 2. A report on the results of operation of applicant

for the year 1950 recorded and the year 1951 estimated was submitted at the same hearing, by a Commission staff engineer, as Exhibit No. 6. The earnings information contained therein is summarized in the following tabulation:

SUMMARY OF EARNINGS

	:Per Co. :		:Per P.U.C. Exh. No. 6 :		
	:Ex.No. 2:			:Yr. 1951 Estimated:	
	:Year :		:Year 1950 Adjusted :	:Present :	:Proposed:
	:1950 :	:Year 1950 Adjusted :	:Present :	:Proposed:	:Proposed:
	:Recorded:	:Under Present Rates:	:Rates :	:Rates* :	:Rates* :
OPERATING REVENUES	\$25,424	\$27,329	\$27,329	\$29,100	\$39,000
<u>OPERATING EXPENSES,</u>					
<u>TAXES AND DEPRECIATION</u>					
Operating Expenses	28,840	22,110	22,110	23,000	23,000
Taxes	595	1,142	1,142	1,412	4,184
Depreciation	2,417#	2,575#	1,174 <del>ø</del>	1,200 <del>ø</del>	1,200 <del>ø</del>
Total Expense	31,852	25,827	24,426	25,612	28,384
NET REVENUE	(6,428)	1,502	2,903	3,488	10,616
RATE BASE - UNDEPRECIATED		85,162 <sup>a</sup>	92,041 <sup>b</sup>	94,300 <sup>b</sup>	94,300 <sup>b</sup>
DEPRECIATION RESERVE		(57,004)#	-	-	-
DEPRECIATED RATE BASE		28,158	-	-	-
RATE OF RETURN		5.33%	3.15%	3.70%	11.26%

(Red Figure)

- \* Proposed rates per Second Amended Application filed 1-11-51.
- # Straight-line depreciation.
- ø 5% sinking fund annuity.
- a Based on recorded capital of \$80,962 as of 12-31-50.
- b Based on staff appraisal as of 12-31-50.

In explaining Exhibit No. 6, the Commission staff witness testified that applicant still does not keep its books in accordance with the Uniform Classification of Accounts prescribed by the Commission for water corporations. He alluded particularly to the segregation of charges between capital costs and operating expense and it is therefore apparent that applicant's showing with respect to its earnings position for the year 1950 cannot be relied upon as representing an accurate picture of applicant's financial position.

In addition to having found it necessary to adjust the recorded operating expenses by the elimination of certain amounts properly chargeable to capital instead of to operating expense as recorded, the Commission staff witness testified that he had made certain other adjustments to place the operating revenues, derived from the interim rates established in July, 1950, on an annual basis for the year 1950. The Commission staff witness also testified that he had adjusted operating expenses to exclude certain telephone and other charges recorded for the year 1950 as being abnormal or non-recurring. Total salaries and wages were placed on a normal basis and were estimated by the Commission staff witness to amount to \$5,100 for the year 1951 as against a total pay roll of \$8,202 as recorded for the year 1950. An item of \$25 per month was included in the adjusted expenses for rent of an office for applicant at the Cottage Hotel in Randsburg. Also included in the adjusted expense was an amount of \$666 per year for 10 years for amortization of the cost of the Rawaco Well No. 1 which was abandoned when found not to be usable. The adjusted expenses for the years 1950 and 1951 as testified to by the Commission staff witness included a computation of the depreciation annuity on the 5% sinking fund basis, as used by the Commission for the purposes of the interim order herein.

With respect to the cost of water purchased under the contract with The Sue Corporation which amounted to \$11,070 for the year 1950 and which is, the record shows, based on a monthly payment by applicant to The Sue Corporation of \$900 per month, we conclude, after a careful review of the record that this monthly charge should be \$650 per month. { This sum includes rental of wells and pipe lines totalling \$200, an allowance of \$200 for electric power charges, and a further allowance of \$250 covering time and materials for the operation and maintenance of the pump units and pipe lines. } This monthly charge is hereby found to be a just and reasonable monthly payment by applicant to The Sue Corporation for the water furnished and services performed by said Sue Corporation to applicant.

By taking into consideration the estimated adjusted operating revenues at the present rates for the year 1951 as shown in Exhibit No. 6 amounting to \$29,100, and the estimated adjusted operating expenses as also shown in said exhibit, further adjusted, however, to include, for rate-making purposes, the reduction in source of water supply expenses effected by our conclusion regarding the water purchase contract, and by utilizing the rate base computed and introduced by the Commission staff witness based on the staff appraisal of applicant's fixed capital in service, a rate of return under the present interim rates for the year 1951 of 5.94% is indicated. This is considered to be a fair rate of return, and the order herein will make final the interim rates ordered by the Commission's Decision No. 44434, dated June 20, 1950, in this application as amended.

The record shows that the amended application in this matter was filed by James Alspach, president, who swore and deposed that he was such. The record also shows that James Alspach does not, and did not at the time of filing said second amendment, hold that official position. It is appreciated that, because the corporate affairs of applicant are in escrow, there may be some legitimate confusion regarding stock ownership, with resultant confusion as to the authority vested in one person as against another to speak for applicant as a specific officer thereof. However, it is imperative that the records of applicant be accurate, and the order herein will provide for the filing with the Commission, by applicant, of a certified statement showing the officers and directors of applicant as of March 27, 1951.

Applicant should adjust its fixed capital accounts to conform with the Commission staff appraisal shown in Appendix B of Exhibit No. 6 entered at the hearing on March 27, 1951, and the order herein will require applicant to file with the Commission for its

approval, copies of the proposed journal entries which it will be necessary to make to effect such adjustments.

Applicant's request to establish a minimum deposit of \$10 appears to be excessive. However, the record shows that some accounts are likely to become delinquent due to the more or less speculative nature of the mining activities in the community and the frequent movings in and out of the community by persons engaged in such mining speculation. Therefore, applicant will be authorized by the order herein to refile its Rule No. 6 providing for a \$6 deposit.

Applicant also requested the establishment of a charge of \$2.50 for moving a meter for a consumer who changes his residence more than twice a year. In view of the record this request appears to be reasonable, and applicant may file a rule providing for the \$2.50 charge.

The request for establishment of a conveyance charge for water delivered for mining and milling purposes of \$0.10 per 1,000 gallons was denied by Decision No. 44434, dated June 20, 1950, and is hereby again denied, applicant not having introduced further evidence with regard thereto and there being no further evidence warranting the granting of such request.

The request for establishment of a flat rate of \$5 per consumer for water coolers will be denied by the order herein. Applicant did not make a clear statement in the record of the manner in which such flat water cooler rate could or would be applied to a metered service connection. Neither did applicant establish a need for the establishment of this type of rate in addition to the regularly applicable and authorized meter rates.

The formal proceedings involving this utility, together with decisions of this Commission thereon, since August 31, 1936, are summarized in chronological order in Exhibit B attached hereto.

O R D E R

Randsburg Water Company, a corporation, having applied to this Commission for an order authorizing increases in rates, the Commission having issued its Decision No. 42010, dated August 31, 1948, authorizing a temporary emergency rate, and having extended the time of said decision to June 20, 1950 by its Decisions Nos. 42281, 42434, 42814, and 43113, which latter decision also reopened this proceeding, and the Commission having issued its Decision No. 44434 dated June 20, 1950 authorizing an interim rate which is presently in effect, and the original application having been amended by applicant on January 19, 1950, again on January 11, 1951 and further amended on March 27, 1951, a public hearing having been held on the second amended application, and the amendment thereof, and the matter having been submitted and now being ready for decision,

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

IT IS HEREBY FOUND AS A FACT that the schedule of interim rates as shown in Exhibit A attached to the Commission's Decision No. 44434 dated June 20, 1950 are just and reasonable, therefore

IT IS HEREBY ORDERED that the schedule of interim rates shown in Exhibit A attached to the Commission's Decision No. 44434, dated June 20, 1950, and authorized to be placed in effect thereby, is continued in effect and made final. Accordingly, applicant is hereby authorized and directed to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, which schedule will supersede and cancel all existing rate schedules concurrently with the filing thereof.

IT IS HEREBY FURTHER ORDERED that Randsburg Water Company is authorized to refile its Rule No. 6 providing for a \$6 deposit, and to file a rule providing for a \$2.50 meter moving charge for a consumer who changes his residence from one premise to another more than twice during a period of any 12 consecutive months.

IT IS HEREBY FURTHER ORDERED that applicant shall set up on its books of account the appraisal of its fixed capital in service submitted by the Commission staff as Appendix B of Exhibit No. 6 introduced at the hearing on March 27, 1951, and shall file with the Commission for its approval copies of the proposed journal entries necessary to effect such action.

IT IS HEREBY FURTHER ORDERED that applicant shall file within fifteen (15) days after the effective date of this order a certified copy of its duly elected corporate officers and directors.

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

Dated at San Francisco, California, this 10th day of April, 1951.

R. J. Anderson  
Harold P. Hule  
Lawrence P. Potter  
Peter E. Mitchell

Commissioners.

EXHIBIT A

\_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_  
 Cancelling \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In and in the vicinity of the towns of Randsburg and Johannesburg in Kern County, and Red Mountain and Atolia in San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 300 gallons, or less .....	\$3.00
Over 300 gallons, per 100 gallons .....	.70
 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 Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

SPECIAL CONDITION

Water will not be sold for mining and milling purposes unless there is a surplus of water available over that needed for domestic consumers.

(To be inserted by utility) Issued by \_\_\_\_\_ (To be inserted by Cal. P.U.C.)  
 Advice Letter No. \_\_\_\_\_ Date Filed \_\_\_\_\_  
 Decision No. \_\_\_\_\_ Name \_\_\_\_\_ Effective \_\_\_\_\_  
 \_\_\_\_\_ Title \_\_\_\_\_ Resolution No. \_\_\_\_\_

EXHIBIT B  
Page 1 of 2RANDSBURG WATER COMPANY  
CHRONOLOGICAL SUMMARY OF APPLICATIONS AND DECISIONS  
FROM AUGUST 31, 1936 TO MARCH 27, 1951

<u>Date</u>	<u>Application or Decision</u>	<u>Result</u>
8-31-36	Decision No. 29039 issued in Case 4078	Established certain rates.
6-21-37	Application No. 21278 filed	Requested reestablishment of rates authorized by C.R.C. Decision No. 22280 dated April 2, 1930.
2-28-38	Opinion and order, Decision No. 30660, issued	Dismissed Application No. 21278.
4-23-41	Application No. 24161 filed	Requested rate of \$10.00 per 1,000 gals. or less, per meter per month; \$7.50 per 1,000 gals. for the next 4,000 gals.; \$5.00 per 1,000 gals. for the next 25,000 gals.; and \$3.00 per 1,000 gals. for all over 30,000 gals., per meter per month.
8-24-43	Opinion and Order, Decision No. 36563, issued in Appl. 24161 and Case 4629	Authorized rate of \$2.25 for 400 gals., per meter per month; next 1,600 gals. at \$.50 per 100 gals.; next 3,000 gals. at \$.40 per 100 gals.; next 25,000 gals. at \$.30 per 100 gals.; over 30,000 gals. at \$.20 per 100 gals., per meter per month.
12-31-43	Application No. 25952 filed	Requested rate of \$3.00 for 375 gals., per meter per month; next 1,600 gals. at \$.80 per 100 gals.; next 3,000 gals. at \$.70 per 100 gals.; next 25,000 gals. at \$.40; over 30,000 gals. at \$.30 per 100 gals., per meter per month; corresponding mini- mum charge increases & retention of flat rates.
7-30-46	Opinion and Order, Decision No. 39228, issued	Denied request contained in Applica- tion No. 25952.
10-24-47	Application No. 28825 filed	Requested rate of \$2.50 for 400 gals., per meter per month; and all over 400 gals. at \$.50 per 100 gals., per meter per month.
7-20-48	Opinion and Order, Decision No. 41869, issued	Denied request contained in Applica- tion No. 28825; cancelled flat rates.
7-7-48	Application No. 29502 filed	Requested rate of \$3.25 for 400 gals., per meter per month, and \$7.50 per 1,000 gals. over 400 gals., per meter per month.
8-31-48	Opinion and Order, Decision No. 42010, issued	Authorized temporary emergency rate for 400 gals., per meter per month, and \$.60 per 100 gals. over 400 gals., per meter per month.

EXHIBIT B  
Page 2 of 2

RANDSBURG WATER COMPANY  
CHRONOLOGICAL SUMMARY OF APPLICATIONS AND DECISIONS  
FROM AUGUST 31, 1936 TO MARCH 27, 1951

<u>Date</u>	<u>Application or Decision</u>	<u>Result</u>
11-30-48	Supplemental Order Extending Time, Decision No. 42281, issued	Extended Decision No. 42010 to 1-31-49 pending securing of new source of water and negotiation of agreement therefor.
1-18-49	Second Supplemental Order Extending Time, Decision No. 42434, issued	Extended Decision No. 42010 to 4-30-49.
4-26-49	Order Reopening Proceeding and Order Modifying Decision, Decision No. 42814, issued	Extended Decision No. 42010 to and including the Commission's order in the reopened proceeding of Application No. 29502.
7-12-49	Opinion and Order in Reopened Proceeding, Decision No. 43113, issued	Continued Decision No. 42010 in effect.
1-19-50	Amended Application filed	Requested rate of \$3.00 for 300 gals., per meter per month, and \$.90 per 100 gals. over 300 gals., per meter per month as an interim order.
6-20-50	Opinion and Order on Amended Application, Decision No. 44434, issued	Authorized interim rate of \$3.00 for 300 gals., per meter per month, and \$.70 per 100 gals. over 300 gals., per meter per month, pending further investigation of results of operation.
1-11-51	Second Amended Application filed	Requested rate of \$5.00 for 500 gals., per meter per month; \$10.00 per 1,000 gals. for the next 19,500 gals.; \$6.00 per 1,000 gals. for the next 20,000 gals.; and \$4.00 per 1,000 gals. for all over 40,000 gals., per meter per month. Also 10¢ per 1,000 gals. for mining and milling carrying charge; minimum deposit of \$10.00; and moving charge if more than twice in 12 months, of \$2.50.
3-27-51	Second Amended Application amended at hearing	Requested rate of \$10.00 for 1,000 gals., per meter per month; \$10.00 per 1,000 gals. for the next 19,000 gals.; \$6.00 per 1,000 gals. for the next 20,000 gals.; and \$4.00 per 1,000 gals. for all over 40,000 gals., per meter per month. Also, flat rate charge of \$5.00 per month for each water cooler; and minimum deposit of \$15.00.