

Decision No. 46097

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)
RANDSBURG WATER COMPANY for an order)
authorizing increase of rates for water) Application No. 29502
service, and for an interim order) (Amended)
authorizing immediate increase of rates)
for water service.)

Thomas J. Kelley, for applicant; West, Vizzard, Howden & Baker, by Lawrence N. Baker and James Vizzard, for The Sue Corporation; Margaret Tinney, a consumer; James E. Nossier, for a group of consumers, protestants; Harold J. McCarthy, for the Commission staff.

OPINION ON REHEARING

By its order dated June 5, 1951, the Commission granted a rehearing with respect to Decision No. 45569, dated April 10, 1951, in the above-entitled application.

Public hearings in this matter were held before Examiner Warner in Randsburg, California, on June 18, 1951, and in Los Angeles, California, on June 19, and July 25, 1951.

In Paragraph IV (1) of its Petition for Rehearing, filed April 25, 1951, applicant alleged that, despite the written reports of the engineering and technical staff of the Commission that have from time to time been presented to and received by the Commission during the course of the hearings in this proceeding, the forecast rate of return on the established rate structure has not been supported by actual performance. Applicant further alleged that it has not been able, from the return from operation to maintain its system in a completely satisfactory manner, nor make any profit on its capital investment, nor create or maintain any reserve whatever for future expenses, improvements or betterments.

In Paragraph IV (2), applicant alleged that it had been served with a formal notice of the termination of the supply of water from the so-called "Alspach Wells" unless it is made to appear that past and current bills for water can be and will be paid. The deadline on that notice was June 30, 1951, but was extended indefinitely at the hearing on June 19, 1951 by stipulation of counsel for The Sue Corporation, pending the rendering by this Commission of a decision on the rehearing.

In Paragraph IV (3), applicant alleged that the record did not support the "opinion" set forth in Decision No. 45569 that the purchase contract for water between The Sue Corporation and applicant was not an "arms-length negotiation of said contract" whereby the base figure of \$900 per month was established.

These allegations summarize applicant's specific reasons for petitioning for a rehearing.

At the June and July hearings considerable new testimony was adduced. Applicant withdrew its requests for the establishment of a flat rate of \$5 per consumer for water coolers and of a conveyance charge of \$0.10 per 1,000 gallons for water delivered for mining and milling purposes but requested the establishment of a schedule of rates for mining and milling metered service.

According to the record, applicant's principal reason in support of its allegation that it was not realizing a fair rate of return from the interim rates established by the Commission's Decision No. 44434, dated June 20, 1950, and made final by Decision No. 45569, was that it did not, at the end of any month, have enough cash on hand to meet its current bills, including the cost of water purchased from The Sue Corporation; this, despite the evidence, as shown in Exhibit No. 2, that recorded operating revenues amounted to \$25,424 during the year 1950.

From a statement of cash receipts and disbursements for the year 1950 presented by an accountant witness for applicant as Exhibit No. 17, a Commission engineer witness recapitulated the data contained therein and submitted the results thereof as Exhibit No. 29. This recapitulation indicates that, of the total operating revenues received by applicant during 1950, at least \$2,505 was disbursed from operating revenues for capital items. Further, it is evident from Exhibit No. 6, the report on the results of applicant's operations for the year 1950 recorded, and the year 1951 estimated, presented by the Commission's engineer witness, supplemented by his oral testimony, at the hearing on March 27, 1951, that about \$2,500, additionally, was disbursed from operating revenues for capital items but was not so recorded on applicant's books of accounts. These latter capital items were primarily for costs of labor performed on capital improvement jobs, and properly chargeable thereto. The total amounts expended out of operating revenues for capital items during 1950 amounted to over \$5,000.

In testifying regarding the condition of applicant's books of accounts, applicant's accountant witness testified that as of June 19, 1951, he had made no entries therein since January 1, 1951, due to illness and press of other matters.

Insert [It is not intended that rates should be fixed at such a level as to enable applicant to finance all of its capital requirements from its earnings. Expenditures for plant should not be charged to operating expenses. If moneys received were accounted for in the manner ordered by the Uniform Classification of Accounts for Water Corporations, as prescribed by the Commission, and if such moneys were expended with the prudence suggested by the Commission's past decisions on these proceedings, applicant readily could meet all

of its current obligations for operating and maintaining its water system, including a reasonable cost of purchased water, and at the same time realize net operating revenues sufficient to yield a fair return on its investment.]

It is appreciated that applicant has experienced, and will continue to experience, difficult problems relating to the successful operation of a public utility water system in the Randsburg area. The record shows that the extent to which, and the degree of success with which, mining and milling operations are carried on in the area greatly affects applicant's operations. Conversely, the manner in which applicant's operations are conducted greatly affects the extent and relative success of the mining and milling operations, the one being largely dependent on the other.

Witnesses for various mining interests testified at the July 25 hearing that test borings now being conducted in the Rand Mining District point to mining and milling activities which will require large quantities of water in the immediate future. These interests want to know what water will cost them if furnished through applicant's facilities. Therefore, it is considered not to be adverse to the public interest that applicant's request for the establishment of a rate for water service for mining and milling purposes be granted, and the order herein will so provide.

The record shows that the Commission's staff engineer estimated that the additional revenue, which applicant will obtain as the result of the sale by applicant of water for mining and milling purposes, will be offset by additional operating expenses which will leave, unaffected, the estimated earnings for the year 1951 of 5.94% as shown in Decision No. 45569, and considered, therein, to be a fair rate of return.

With respect to the water purchase agreement dated December 20, 1948, (copy filed in this proceeding December 22, 1948) between applicant, as buyer, and James C. Alspach, as seller, and, further, with respect to the management agreement dated January 1, 1949, (Exhibit No. 14) between applicant and James C. Alspach, the record shows that negotiations for the effecting of such agreements were conducted simultaneously over a two or three-months' period prior to their being signed and that there could not have been and, as found in Decision No. 45569, there was not arms-length negotiation of the contract for purchase of water by applicant from James C. Alspach.

With further respect to the cost of water being purchased under said water purchase agreement of December 20, 1948, no sufficient testimony has been furnished to change our previous conclusion, even after a thorough review of the more complete record and additional evidence submitted regarding this subject, that the monthly charge should be \$650 per month, and not \$900, for the supply to the applicant of the first average daily requirement of 10,000 gallons of water. In view of the fact that no written water purchase agreement now exists between applicant and The Sue Corporation, as such, a new contract should be effected. Furthermore, if applicant intends to furnish relatively large quantities of water for mining and milling purposes at the schedule of rates which it proposed in its latest amendment to the application made at the hearing on July 25, in order to avoid placing any additional burden on its residential and commercial consumers, and also to net a transportation charge of 10 cents per 1,000 gallons, it appears

that said new contract should be made to include the following suggested schedule of rates for water to be purchased by applicant:

	<u>Per Month</u>
Minimum charge, entitling the buyer to an average daily delivery of 10,000 gallons	\$650.00
For the next 10,000 gals. Av./day, per 1,000 gals.	1.70
For the next 20,000 gals. Av./day, per 1,000 gals.	1.35
For the next 30,000 gals. Av./day, per 1,000 gals.	1.10
For the next 40,000 gals. Av./day, per 1,000 gals.90
All over 110,000 gals. Av./day, per 1,000 gals.80

ORDER ON REHEARING

Randsburg Water Company, a corporation, having on April 25, 1951, petitioned the Commission for a rehearing on its Decision No. 45569, dated April 10, 1951, in the above-entitled application, the Commission having granted a rehearing by its order dated June 5, 1951, public hearings having been held, 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 that present rates in so far as they differ from those herein prescribed, are unjust and unreasonable, therefore,

IT IS HEREBY ORDERED that Randsburg Water Company, a corporation, is hereby 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, the 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 the rates shown therein effective for service rendered on and after September 15, 1951.

IT IS HEREBY FURTHER ORDERED that in all other respects the Commission's Decision No. 45569, dated April 10, 1951, is affirmed and shall remain in full force and effect.

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

Dated at San Francisco, California, this 20th day of August, 1951.

W. J. [Signature]
James J. [Signature]
Harold P. [Signature]
John E. [Signature]
Samuel [Signature]
Commissioners.

EXHIBIT A

Schedule No. 2

MINING AND MILLING METERED SERVICE

APPLICABILITY

Applicable only to metered water service for mining and ore milling purposes.

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

Service Charge:	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter.....	\$ 2.00
For 3/4-inch meter.....	3.00
For 1-inch meter.....	4.50
For 1 1/2-inch meter.....	6.50
For 2-inch meter.....	9.00
For 3-inch meter.....	12.00
For 4-inch meter.....	16.00

Quantity Rates:	<u>Per 1,000 Gallons</u>
For the first 10,000 gals. avg. per day.....	\$ 1.80
For the next 20,000 gals. avg. per day.....	1.45
For the next 30,000 gals. avg. per day.....	1.20
For the next 40,000 gals. avg. per day.....	1.00
For all over 100,000 gals. avg. per day.....	.90

The Service Charge is a readiness-to-serve charge applicable to all metered service and is to be added to the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Water will not be sold for mining and ore milling purposes under this schedule unless there is a surplus of water available over that needed for domestic and other consumers served under Schedule No. 1.
2. Water sold under this schedule may not be resold or used for purposes other than for mining and ore milling purposes.
3. Water service under this schedule is available in quantities and at points capable of being served from the company's existing pipe lines, and the water main extension rule applicable to service under Schedule No. 1 is not to be applied to service hereunder. If water main extensions or pipes larger than existing mains are required to deliver water in the desired quantities at suitable pressure, then the consumer will be required to install and maintain all such piping at his own expense; provided, however, that the company will install and maintain the necessary meters and pumping facilities and will pay all pumping costs.