

ORIGINAL

Decision No. 46375

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SMITHSON SPRINGS WATER COMPANY,)
a California corporation, for an)
order authorizing it to increase)
its rates and charges.)

Application No. 32173
(Amended)

DESERT SPRINGS PROPERTY OWNERS)
AND WATER USERS ASSOCIATION,)

Complainant,

vs.

Case No. 5312

SMITHSON SPRINGS WATER COMPANY,)
a corporation,)

Defendant.)

Guthrie, Lonergan & Jordan, by
John B. Lonergan, attorney, for applicant-defendant;
Gordon, Knapp & Gill, by Hugh Gordon, attorney, for
complainant-protellant; Tania Orlyk, in propria persona,
protellant-complainant; Mrs. Catherine Snyder, a water
hauler, for Frontier Ranch, interested party;
R. E. Sutherland, for the Commission staff.

O P I N I O N

Smithson Springs Water Company, a corporation, by the
above-entitled application filed March 2, 1951, seeks an order
authorizing it to increase its rates for water service in and about
the community of Desert Springs, in unincorporated territory,
San Bernardino County, California. The application was amended at
the hearing to include a revised schedule of proposed rates.

Desert Springs Property owners and Water Users Associa-
tion, comprising 33 members, by the above-entitled complaint, filed
July 18, 1951, alleges in effect, that applicant-defendant has wasted
water and has allowed it to be hauled away in excessive amounts not

permitted by the Commission's Decision No. 34360 and that because applicant-defendant's storage tanks had become exhausted due to such alleged excessive outside use, no water had been available on numerous occasions for service to regular customers within the service area delineated by said decision. Complainant further alleges that applicant-defendant has failed to maintain and operate its water system properly; that the proper rates for "haulage" service had not been applied; and, finally, that applicant-defendant has failed to provide and maintain an adequate supply of water to meet the reasonable demands and requirements of its consumers.

Complainant requests the Commission to restrict the sale and use of water primarily to metered service customers within the certificated area; to regulate and supervise the haulage of water; and to order applicant-defendant to provide capable management and diligent supervision of the operation of its water system to prevent unreasonable use of water by any of its consumers to the detriment of others.

All allegations contained in the complaint were denied by defendant in its answer thereto.

A consolidated public hearing in these matters was held before Examiner Warner at Desert Springs, California on September 26, 1951.

Applicant-defendant's present service area was established by the Commission's Decision No. 34360, dated June 8, 1943, in Application No. 25322. It is bounded on the north by State Highway No. 138, on the east by the eastern boundaries of Sections 18 and 19, on the south by the southern boundary of the NE $\frac{1}{4}$ of Section 19, and on the west by the center line of Sections 19, 18, and 7, Township 4 North, Range 7 West, S.B.B.&M. It comprises 535 acres of Mojave Desert plateau land (4,000 feet elevation), gently sloping from south to north,

lying in the shelter of the north slope of Mt. Baldy below Wrightwood. The entire area, except Tract No. 2985, which consists of 26 residential lots, is divided into 10-acre homesites. The service area is more particularly delineated by a heavy solid black line on the map filed at the hearing as Exhibit No. 1. Requests, by applicant herein, to extend its service area boundaries to include an additional 220 acres of land adjoining the westerly boundary of its certificated area in Section 18, and to enter into an agreement to sell a portion of its surplus water to Juniper Water Company, a corporation, outside its present service area, were denied by the Commission's Decision No. 41727 dated June 15, 1948 in Application No. 28795.

General metered water service is furnished to approximately 50 domestic consumers all of whose meters are located within the service area. Three of such consumers own swimming pools, each of which is circulating and self-purifying. The water supply of such pools needs to be replenished during the summer season only on account of evaporation and spillage. The record shows that in 1951, applicant urged consumers to fill their swimming pools in June in order to equalize demands on the water system during the summer months.

Off-peak sales for storage service is furnished to the Grettenberg-Trimble ranch, home of applicant's principals, located about 1½ miles north of the service area. A meter, located within the service area measures the amount of such sales. Water is transported through a private 3/4-inch pipe line to a 10,000-gallon, consumer-owned storage tank.

Haulage service is furnished to approximately 20 water haulers who obtain water at a station, located within the service area. Applicant's witness, Hale Grettenberg, Treasurer and General Superintendent, testified that prior to July 21, 1951, there was no measuring or metering device for determining the amounts of water taken by haulers. This witness stated that each hauler is given a key

to the haulage station and each hauler fills up containers ranging in size from 1 gallon to 350 gallon-tanks mounted on trucks, but that no one is regularly stationed at said haulage station to check the individual amounts hauled. However, a sample check was made for the period July 21, 1951 to September 7, 1951, inclusive, the results of which are discussed hereinafter.

Applicant's sources of water supply are a spring and a shallow well located in Boneyard Canyon. The well, with a syphon installed therein, is located south of, but at a higher elevation than the spring. The total estimated production capacity of the spring and the well is 2 miner's inches, which is about 18 or 20 gallons per minute, or 1,261,440 cubic feet per year. An engineering witness for applicant testified that applicant plans to drill a deep well above the spring hoping to increase its water supply thereby. This witness also testified that applicant is constructing a second 200,000-gallon concrete reservoir, which will be in addition to applicant's present 200,000-gallon concrete reservoir, located north of and below the spring and well, and at an elevation higher than any part of the service area, and to applicant's 25,000-gallon wooden tank located in the central part of the service area. Completion of this new storage reservoir will bring applicant's total storage capacity to 425,000 gallons. Applicant's present production, storage, and distribution facilities are delineated on the map, Exhibit No. 1. The water system operates entirely by gravity flow and there are no booster stations or pumps.

The following tabulation summarizes and compares applicant's present and proposed rates:

COMPARISON OF PRESENT AND PROPOSED* RATES

GENERAL METERED SERVICE

<u>Annual Minimum Charge:</u>	<u>Per Meter</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter	\$ 24.00	\$ 24.00
For 1-inch meter	32.00	-
For 1 1/2-inch meter	36.00	-
For 2-inch meter	42.00	-

Annual Quantity Rates:

First 8,000 cu. ft., or less	\$ 24.00
Next 12,000 cu. ft., per 100 cu. ft.	.20
Next 80,000 cu. ft., per 100 cu. ft.	.10
Over 100,000 cu. ft., per 100 cu. ft.	.08

Monthly Quantity Rates:

First 100 cu. ft., or less	\$ 2.00
Next 100 cu. ft., per 100 cu. ft.	.30
Next 200 cu. ft., per 100 cu. ft.	.40
Next 400 cu. ft., per 100 cu. ft.	.50
Over 800 cu. ft., per 100 cu. ft.	.75

* As amended at the hearing 9/26/51

Under the proposed general metered service rates meters will be read and billed on a monthly basis.

It will be noted that the proposed general metered service rate is designed and proposed to discourage the use of water since the cost increases with the quantity consumed. The effect of the adoption of this proposed rate would be to increase the charge for an annual consumption of 8,000 cu. ft. from \$24 to \$53.28 assuming an average monthly consumption of 667 cu. ft. over a 12-month period.

The present haulage service rates provide for an annual minimum charge of \$15, payable in advance, which entitles the consumer to accumulate quantities hauled to 36,000 gallons per year, and to purchase additional quantities at \$0.15 per 100 gallons. The proposed haulage service rate reduces the accumulated quantity hauled entitlement to 6,000 gallons per year and maintains the additional

quantity rate of \$0.15 per 100 gallons in excess of 6,000 gallons hauled. The effect of the adoption of this proposed rate on the largest hauler as shown in Exhibit No. 9, the Markland & Snyder account, would be to increase its annual payment from \$15 to about \$69.

The present off-peak sales for storage rate of \$2.40 per month for the first 2,000 cu. ft. or less of water usage per meter per month, and \$0.10 per 100 cu. ft. for all usage in excess of 2,000 cu. ft. per meter per month is proposed to be cancelled and superseded by a new schedule to be known as "Sales for Storage". Said new schedule would apply to deliveries made to consumers' own storage facilities of not less than 5,000-gallon capacity where a metered service connection exists. The proposed quantity rates are the same as the proposed general metered service rates. The effect of the adoption of this proposed rate would be to place the Grettenberg-Trimble Ranch on the general metered service schedule and to increase substantially the monthly and cumulative annual charge to that account.

Income statements for the year ending December 31, 1950 and for the period, January 1 through June 30, 1951, were submitted as Exhibits Nos. 7 and 8, respectively, by an accounting witness for applicant. Exhibit No. 7 shows a net operating deficit after taxes and depreciation for the year 1950 of \$1,245.30, and Exhibit No. 8 shows a net operating deficit for the first six months of 1951 of \$748.51.

A summary of earnings and rate base for the year 1950 at the present rates, and for the year 1951 at the proposed rates was submitted as Exhibit No. 6 by the engineering witness for applicant. A report on the results of operations of applicant for the year 1950 as recorded on the company's books at the present

rates, and for the year 1951 estimated at the proposed rates was submitted as Exhibit No. 10 by a Commission staff engineering witness. The following tabulation summarizes the information contained in Exhibits Nos. 6, 7, and 10:

SUMMARY OF EARNINGS

Item	Year 1950		Year 1951	
	Recorded : Adjusted		Estimated	
	Per Co. : Ex. No. 7	Per Co. : Ex. No. 6	Per Co. : Ex. No. 6	Per P.U.C. : Ex. No. 10
	(Present Rates)		(Proposed Rates*)	
Operating Revenue	\$ 2,173	\$ 2,173	\$ 4,419	\$ 4,515
Operating Expenses	1,754	1,753	2,225	1,750
Taxes	159	159	400	609
Depreciation**	1,505	936	1,043	994
Total Oper. Exp.	<u>3,418</u>	<u>2,848</u>	<u>3,668</u>	<u>3,353</u>
Net Operating Revenue	(1,245)	(675)	751	1,162
Depreciated Rate Base		28,218	31,709	26,220
Rate of Return		Nil	2.36%	4.43%

(Red Figure)

* Utilizing proposed rates as amended at the hearing 9-26-51.

** Straight-line depreciation recalculated for year 1950 adjusted and year 1951 estimated.

Both applicant's engineering witness and the Commission staff engineering witness utilized the proposed rates as amended at the hearing in estimating their operating revenues for the year 1951.

The record shows that recorded depreciation reserve and expense amounts were based, generally, on 20-year lives. Therefore, straight-line depreciation reserve requirements and estimated annual depreciation expense were recalculated for inclusion in Exhibits Nos. 6 and 10 for the year 1950 adjusted and the year 1951 estimated using lives based on engineering experience and judgment.

We are of the opinion that the proposed general metered service rate with greater unit charges for increased usage is not suitable to the conditions existing with respect to applicant's

operations, and we think that such type of rate is unnecessary in this instance, in view of the showing in the record with respect to applicant's water supply and water system demands. The filing of that type of rate will not be authorized by the order herein. Further, we conclude that the proposed rates as amended at the hearing for general metered service, haulage service, and sales for storage service are excessive. However, it is evident that applicant is in need of financial relief, and the filing of a new schedule of rates in which all types of service are combined and which will produce estimated gross annual revenues amounting to \$4,093 will be authorized. Normal operating expenses, including taxes and depreciation, are estimated to amount of \$3,200 for the year 1951. These will result in estimated net operating revenue of \$893 and an estimated rate of return of 3.42%, which we find to be just and reasonable.

The record contains no conclusive evidence supporting complainant's allegations concerning the excess usage and wastage of water outside applicant-defendant's service area by any party. Furthermore, there is no evidence in the record of any shortage of water other than certain evidence relating to two or three temporary shortages during 1950 due to mechanical difficulties of operation of the water system.

A tabulation submitted as Exhibit No. 12A shows that the actual consumption of individual general metered service consumers for the first nine months of 1951 was 388,288 cu. ft., which would amount to 517,852 cu. ft. on an annual basis. Exhibit No. 9 shows that the water hauled for the 47-day period, July 21, 1951 to September 7, 1951, inclusive, amounted to 2,746 cu. ft., which would amount to 21,326 cu. ft. on an annual basis. Total water consumption, including all types of sales, on these bases would amount to 539,178 cu. ft. If all water produced from the spring and the well was stored

and distributed, there would be an estimated excess supply of 722,262 cu. ft. which is considered to be an adequate margin of supply for all types of applicant's consumers. However, while there appears to be adequate water supply to meet all present demands, it is considered in the public interest that applicant be restricted to the furnishing of water service within its presently authorized service area boundaries, only, except for the haulage service and sales for storage service now being rendered, and the order herein will so provide.

In view of the record as outlined herein, it appears that complainant's allegations with respect to water shortages are without foundation. It is true that applicant has not and could not have applied its filed tariffs to haulage service for the reason that prior to July 21, 1951 as noted hereinbefore, there was no measuring device for determining amounts of water taken by haulers. And, even now, applicant has not devised an effective method of determining the amounts taken by individual haulers. An effective method should be devised at once. Possibly, certain hours should be established during which, and only during which, water could be hauled, and an employee of applicant stationed at the water haulage station to keep individual records of water taken for billing and other purposes.

Complainant's witness Lyons testified that Mr. Grettenberg had cautioned him during the summer of 1951 to conserve water stating that there was an imminent water shortage. The record shows in Exhibits Nos. 12 and 12A that the sales for storage of water to the Grettenberg & Trimble Ranch outside the service area were the second and first greatest in quantity of all sales to any consumer during the year 1950 and the first nine months of 1951, respectively. If applicant urges water conservation, its principals, Hale and Maude Grettenberg, should also practice such conservation whenever and if a water shortage threatens.

With respect to the operations of applicant's water system, the record contains no complaints with respect to low operating pressures or other operating conditions except that water was turned off for repairs to the main during 1950 without advance notice to consumers. Such notice certainly should be given by applicant whenever practicable. In the interest of sound water system operating procedures, applicant should effect a daily reading of the water level in the storage reservoirs and the record shows that no such daily reading is now maintained. A visible float might be installed which could be read from a distance, thus eliminating the necessity of sending a man the $1\frac{1}{2}$ miles up to the reservoir for the purpose of making the reading.

Mrs. Tania Orlyk protested the great increase represented by applicant's proposed rates as amended on the grounds that she was a pensioner from World War I and that the proposed increase in rates would effect a real financial hardship on her. The record shows that she had been a water user for 16 years, has two dogs, six cats, and fifty chickens. She testified that she used water sparsely, but Exhibit No. 12 shows that her annual consumption for the year 1950 was 29,352 cu. ft. which was fifth greatest of all metered consumers and for the first nine months of 1951 her water consumption was 17,516 cu. ft. which was seventh greatest of all metered water users. Applicant should check the Orlyk water meter to determine that it is registering properly and, in that event, Mrs. Orlyk should attempt to cut down on her water usage if it is imperative that her water bills remain within the range of her ability to pay them.

O R D E R

Smithson Springs Water Company, a corporation, having applied for an order authorizing increases in its general metered

service, haulage service, and sales for storage service rates, Desert Springs Property Owners and Water Users Association having filed a complaint against applicant charging shortages, water wastage, excess water usage, negligence to maintain an adequate water supply, and, failure to apply its filed tariffs properly, particularly with respect to haulage service, 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 and that present rates, in so far as they differ from those herein prescribed, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED AS FOLLOWS:

1. 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 the rates shown in Schedule No. 1 thereof effective for service rendered on and after December 1, 1951.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer regulations, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8 $\frac{1}{2}$ x 11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory, provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.

IT IS HEREBY FOUND to be in the public interest that certain restrictions be placed on the furnishing of water service by Smithson Springs Water Company outside its presently authorized service area boundaries; therefore,

IT IS HEREBY ORDERED that Smithson Springs Water Company be and it is restricted to the furnishing of water service within its presently authorized service area boundaries, only, except for

the haulage service and sales for storage service now being furnished; such restrictions to remain in effect until further order of the Commission.

IT IS HEREBY FURTHER FOUND that the allegations as to past and present water shortages, water wastage, excess water usage, and negligence to maintain an adequate water supply are not supported by the evidence in this proceeding, and that, except for the allegation that defendant had failed to apply its filed tariff properly to haulage service, the matters complained of are without foundation; therefore,

IT IS HEREBY ORDERED that the complaint of Desert Springs Property Owners and Water Users Association be and it is dismissed.

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

Dated at San Francisco, California, this 6th day of November, 1951.

R. F. [Signature]
President.
Justice F. [Signature]
Harold A. [Signature]
[Signature]
Robert E. [Signature]
Commissioners.

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, including service to general consumers, water haulers and sales for storage.

TERRITORY

Within the authorized service area in and about the unincorporated community of Desert Springs, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:	
For 5/8 x 3/4-inch meters	\$36.00
For 1-inch meters	60.00
Quantity Rates:	
First 6,000 cu. ft. or less	\$36.00
All over 6,000 cu. ft., per 100 cu. ft.	40

Meters will be read on or about the first day of January, April, July, and October, and billed on a three-month basis.

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

SPECIAL CONDITIONS

1. The utility may set certain hours for water haulage deliveries.

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service, including service to general consumers, water haulers and sales for storage.

TERRITORY

Within the authorized service area in and about the unincorporated community of Desert Springs, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:	
For 5/8 x 3/4-inch meters	\$24.00
For 1-inch meters	40.00
Quantity Rates:	
First 3,600 cu. ft. or less	\$24.00
All over 3,600 cu. ft., per 100 cu. ft.50

Meters will be read on or about the first day of January, April, July, and October, and billed on a three-month basis.

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

SPECIAL CONDITIONS

1. The utility may set certain hours for water haulage deliveries.