

Decision No. 46960

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
DESERT WATER CO., a California corpora-
tion, under Section 32 of the Public
Utilities Act, to increase its rates
for Morongo Valley.)

) Application No. 33002

Moss, Lyon & Dunn, by George C. Lyon, for
applicant; James F. Wilson and R. E. Sutherland
for the Commission staff.

O P I N I O N

Desert Water Company, a corporation, by the above-entitled application filed December 20, 1951, seeks authority to increase its rates for water service in and about Morongo^{1/}, Morongo Valley, San Bernardino County. At the hearing it requested that it be allowed to set up on its books of accounts the results of an historical cost study of its fixed capital as of December 31, 1951, in its Morongo Valley Water System as shown in Exhibit No. 2.

A public hearing in this matter was held before Examiner Warner on March 19, 1952, at Morongo.

Desert Water Company was incorporated May 2, 1947 and by Decision No. 41627, dated May 25, 1948, in Application No. 28751, it was granted a certificate of public convenience and necessity and authority to acquire the water system assets of Morongo Valley Mutual Water Company which had been operating a water system in

^{1/} Morongo is an unincorporated community of San Bernardino County located northeast of Banning on Twentynine Palms Highway about 11 miles north of U. S. Highway 99.

the area since 1916. By Decision No. 46473, dated November 27, 1951, in Application No. 32789, applicant was granted a certificate to extend its water system into the subdivision known as Morongo Granjas del Norte. Applicant is an affiliate of Mountain Properties, Inc., a public utility water company under the jurisdiction of this Commission, and the officers and operating staff of each are identical. Desert Water Company also operates a water system at Rimforest in the San Bernardino Mountains and three water systems on the Mojave Desert in the vicinity of Victorville, San Bernardino County. The books of account and operations of the Rimforest, Victorville and Morongo Systems are kept separately.

Applicant's sources of water supply comprise two wells and the right to divert water from Big Morongo Creek. Two deep well turbine pumps, two booster pumps, four storage tanks with a total storage capacity of 78,000 gallons, and a chlorinating plant are installed on the water system. The system has grown from 48 consumers in 1947 to 146 consumers as of January 1, 1952. The record shows that during the year 1951 there were 1,325,100 cu. ft. of water delivered to an average of 122 metered consumers and 13 haulage consumers. The latter, and there were 17 haulers as of the date of the hearing, take water on an unmeasured basis from a hydrant. In its application applicant requests the establishment of a monthly flat rate for such haulage water service. Applicant's present General Metered Service rates were established in May, 1948, by Decision No. 41627, hereinbefore referred to.

The following tabulation is a comparison of applicant's present and proposed rates:

		<u>Per Meter per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Rates:			
First	1,000 cu.ft., per 100 cu.ft.	\$0.25	\$ -
Next	3,000 cu.ft., per 100 cu.ft.20	-
Over	4,000 cu.ft., per 100 cu.ft.15	-
First	750 cu.ft., or less	-	3.00
Next	250 cu.ft., per 100 cu.ft.	-	.40
Next	3,000 cu.ft., per 100 cu.ft.	-	.25
Over	4,000 cu.ft., per 100 cu.ft.	-	.20
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$2.00	\$ 3.00
For	1-inch meter	3.50	5.00
For	1 1/2-inch meter	5.00	10.00
For	2-inch meter	7.00	15.00
Flat Rate:			
	Water from a hydrant for domestic use only, hauled by customer	\$ -	\$ 1.50

A water use tabulation included in Exhibit No. 3, a report filed at the hearing by a Commission staff engineer, indicates that 52.4% of the consumer months in 1951 fell between the consumption of 0 to 500 cubic feet per month and that 64.17% of the consumer months fell between the consumption of 600 to 700 cubic feet per month. This indicates that under the present rates approximately 64% of the consumers pay the minimum charge of \$2 per meter per month only and under the proposed rates they would pay the minimum charge of \$3 per meter per month. The record shows that only two or three large sized meters are connected to the system.

With respect to the establishment of the proposed flat rate of \$1.50 per month for water hauled by consumers, applicant should place a meter on the hydrant in order to be able to

determine the aggregate amount of water delivered each month through such hydrant. Applicant's witness, John L. Lyon, president, testified that the amounts of water hauled by each consumer from a hydrant were nominal.

A report containing data relating to applicant's Morongo Valley Water System compiled January, 1952, was submitted at the hearing as Exhibit No. 1 by the witness Lyon. A report on the results of applicant's operations in its Morongo System for the year 1951 was submitted at the hearing as Exhibit No. 3 by a Commission staff engineering witness. The information contained in Exhibit No. 3 with respect to applicant's recorded operations is identical to that contained in Exhibit No. 1, and Exhibit No. 3 contains, in addition thereto, a summary of operations for the year 1951 at the proposed rates. This information is shown in the following tabulation:

Item:	Year 1951	
	Recorded at Present Rates*	Estimated at Proposed Rates*
Operating Revenue	\$ 3,965	\$ 5,984
Total Expenses before Depreciation and Taxes	3,318	3,318
Taxes (Incl. Fed. Inc. Tax)	304	869
Depreciation	<u>1,167</u>	<u>1,167</u>
Total Operating Expenses	4,789	5,354
Net Operating Revenue	(824)	630
Rate Base (Depreciated)	33,994	34,034
Rate of Return	Nil	1.85%

(Red Figure)

* Per P.U.C. Exhibit No. 3.

The record shows that applicant's largest single items of expense are its pumping labor, power purchased and depreciation. The hourly wages paid a maintenance man at Morongo Valley are the only regular labor expenses charged to the system. However, infrequent maintenance and repair labor costs are charged for a crew which operates out of the warehouse of Mountain Properties, Inc., in Santa Ana. No salaries of general officers or general office employees are charged to the Morongo System.

Applicant submitted as Exhibit No. 2 an historical cost study of the fixed capital in its Morongo Valley Water System dated December 31, 1951, prepared by an outside consulting engineer. This shows total cost per books of \$99,748.73 and total cost per this study of \$100,120.26, or a difference of \$371.53. The Commission staff engineering witness testified that he had reviewed the unit costs applied and had found them to be accurate and reasonable. Applicant's request, therefore, that it be permitted to set up on its books of accounts the results of this study will be granted and the order herein will so provide.

As shown in Exhibit No. 1, the reserve for depreciation as of December 31, 1951, applicable to the fixed capital of the Morongo Valley System was \$14,794.42, and the depreciation expense for the year 1951, amounting to \$1,166.57, was computed on a straight-line basis at an average of 3%.

Although notices of this hearing were sent to all consumers and were published in a local newspaper, and although several consumers attended the hearing and asked questions with respect to service matters and the possibility of improving service conditions, no protest to the application was entered by any party. The witness Lyon testified that applicant intended to, and would, investigate each service matter brought up at the hearing. It did

not appear that there were any service deficiencies of widespread serious nature. Some rusty water conditions in a local area in the Geil Tract were attributed to a 60-foot section of 2-inch main which had rusted and which applicant will immediately replace. Applicant will be expected to submit in writing to the Commission the results of its investigation and action taken with respect to the rusty water conditions which were brought to its attention at the hearing.

It is evident that applicant is in need of financial relief in its Morongo Water System and the rate of return of 1.85% for the year 1951 at the proposed rates indicated in the preceding tabulation is not considered to be excessive, and the order herein, therefore, will authorize the filing of applicant's schedule of proposed rates.

O R D E R

Desert Water Company, a corporation, having applied for an increase in water rates in its Morongo Valley Water System, a public hearing having been held 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 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 as shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and to the public, to make said rates effective for service rendered on and after May 1, 1952.

2. Applicant may restate its fixed capital accounts so as to reflect its historical cost study as of December 31, 1951 filed in this proceeding as Exhibit No. 2.
3. Applicant shall file with the Commission the journal entries to place on its books of accounts the results of said historical cost study of its fixed capital.

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

Dated at San Francisco, California, this 8th day of April, 1952.

R. I. [Signature]
President.

Justin J. [Signature]
Harold [Signature]

[Signature]
Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all measured water service.

TERRITORY

Throughout the authorized service area in and in the vicinity of Morongo, San Bernardino County.

RATES

Quantity Rates:	Per Meter Per Month
First 750 cu.ft., or less	\$ 3.00
Next 250 cu.ft., per 100 cu.ft.40
Next 3,000 cu.ft., per 100 cu.ft.25
Over 4,000 cu.ft., per 100 cu.ft.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.00
For 1-inch meter	5.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00

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

SPECIAL CONDITIONS

1. In the event meters are not available when consumers apply for service, the proper size connection will be made and the consumer will be charged the minimum meter rate per month for the size meter required.

EXHIBIT A
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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service taken from a hydrant for domestic use and hauled by a customer.

TERRITORY

Throughout the authorized service area in and in the vicinity of Morongo, San Bernardino County.

RATE

Monthly
Flat Rate

For water from a hydrant for domestic use only,
hauled by a customer \$1.50