

ORIGINAL

Decision No. 47232

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of CABAZON WATER COMPANY, for)
authority to increase its Rates) Application No. 33198
for Water Service)

H. Spencer St. Clair, attorney, for applicant;
Melvin Hansen, chairman, and J. E. Whigan,
president, for Cabazon Chamber of Commerce,
Frank Marino, Richard Diaz and E. B. Crews, in
propria personae, protestants; James F. Wilson,
for the Commission staff.

O P I N I O N

Cabazon Water Company, a corporation, by the above-entitled application filed February 13, 1952, seeks authority to increase its rates for domestic and irrigation water service in and about the unincorporated community of Cabazon, Riverside County.

A public hearing in this matter was held before Examiner Warner on April 30, 1952, at Banning.

Cabazon Water Company was granted a certificate of public convenience and necessity to operate a public utility water system by the Commission's Decision No. 41241, dated February 24, 1948; in Application No. 28755. Prior thereto, and since June, 1911, Cabazon Water Company had been operating as a nonprofit mutual water company. Water service is now being furnished to 133 domestic consumers, eight irrigation consumers and to one haulage consumer. All domestic water service is metered.

Applicant owns 320 acres of land in Millard Canyon about 5 miles north of Cabazon. The ownership of such land protects its source of water supply. Surface water is collected at headworks located in the canyon and transported by gravity flow to the Cabazon area through a steel and concrete transmission line, to a concrete diversion box located a short distance north of Cabazon townsite, whence the water is distributed to the irrigation and domestic pipe lines. No pumps or wells are operated by applicant in furnishing water service throughout its entire system.

By the Commission's Decision No. 43950, dated March 14, 1950, in Application No. 30742, authority was granted to applicant to increase rates for irrigation water service from \$0.20, per miner's inch per 24-hour run, to \$0.40. In addition to seeking herein an increase in rates for irrigation service, applicant seeks an increase in rates for metered domestic service. The following tabulation is a comparison of applicant's present and proposed rates:

COMPARISON OF PRESENT AND PROPOSED RATES

Schedule No. 2

METERED DOMESTIC SERVICE

		<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
Quantity Rates:		<u>Per Meter</u>	<u>Per Month</u>
First	1,000 cu.ft., or less.....	\$ 2.50	\$ -
Next	1,000 cu.ft., per 100 cu.ft.	0.12	-
Over	2,000 cu.ft., per 100 cu.ft.	0.08	-
First	500 cu.ft., or less	-	3.50
Next	500 cu.ft., per 100 cu.ft.	-	.50
Next	3,000 cu.ft., per 100 cu.ft.	-	.30
Next	6,000 cu.ft., per 100 cu.ft.	-	.15
Over	10,000 cu.ft., per 100 cu.ft.	-	.10
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 2.50	\$ 3.50
For	1-inch meter	5.00	7.00
For	2-inch meter	7.50	10.00
For	3-inch meter	10.00	12.50

Schedule No. 3

IRRIGATION SERVICE

	<u>Present Rates</u>	<u>Proposed Rates</u>
For all irrigation water delivered April 1 to November 1, per miner's inch per 24- hour run	\$ 0.40	\$ -
For all irrigation water delivered per miner's inch per 24-hour run	-	0.60

A consumers' use tabulation, introduced with Exhibit No. 4, submitted at the hearing by a Commission staff engineering witness, shows that 26.04% of the consumer months in 1951 fell in the consumption block of between 0 and 500 cubic feet. It also shows that 35.65% fell in the consumption block of between 0 and 700 cubic feet, and that 49.82% fell in the block between 0 and 1,000 cubic feet. This indicates that, under the proposed rates, approximately 26% of the domestic consumers would pay the monthly minimum charge of \$3.50 per meter per month instead of \$2.50 per meter per month, as during 1951, or an increase of \$1 per meter per month. It also indicates that, under the proposed rates, approximately 23% of the consumers would pay between \$3.50 and \$6 per meter per month instead of \$2.50 per meter per month which they paid during 1951.

Reports of operations for the year 1951, at present and proposed rates were submitted in evidence at the hearing as Exhibits Nos. 2 and 3 by applicant's accounting witness, and as Exhibit No. 4 by the Commission staff engineering witness. This evidence indicates that, according to applicant's books, it operated at a loss of \$846 during 1951 and that, after adjusting the book figures to reflect certain accounting corrections and to reflect approximately normal operating conditions, such operating loss increased to \$1,057 for the year 1951. The following tabulation is

a summary and comparison of the actual and adjusted earnings for the year 1951 at the present rates, and of the estimated earnings at the proposed rates as shown in Exhibits Nos. 2 and 4.

SUMMARY OF EARNINGS

Item	Year 1951		
	Recorded	Adjusted	Estimated*
	per Co. Ex.No. 2	Per P.U.C. Ex. No. 4	
Operating Revenues	\$7,360	\$7,417	\$14,656
Operating Expenses before Taxes and Depreciation	2,288	2,594	6,194
Taxes	330	292	738
Depreciation	5,588	5,588	5,588
Total Operating Expenses	8,206	8,474	12,520
Net Operating Revenue	(846)	(1,057)	2,136
Rate Base (Depreciated)	-	125,621	126,221
Rate of Return	-	-	1.69%

(Red Figure)

* At proposed rates.

The record shows that actual operating expenses for the year 1951 included no charge for the services or expenses of applicant's president and general manager, who also performs all other duties in connection with the operation of the water system, there being no other full-time employee. However, the estimate for 1951 includes a charge for such salary and expense of \$300 per month, including use and expenses of one automobile and a jeep. The record also shows that applicant's legal expenses, due to several suits filed against it and tried during 1950 and 1951, amounted to \$2,100 and the staff engineer testified that he had, in adjusting such expenses for the year 1951, spread them over a three-year period in the future. It appears that such expenses are abnormally large for a company of this size but that applicant had no alternative but to incur them due to its having been involved in an abnormally large amount of litigation. Public Utilities Commission expense was also spread over a three-year period in the staff estimate.

It is evident that depreciation expense constitutes the greatest single operating expense item. Under the present rates, its deduction from operating revenues leaves applicant with about \$1,800, or \$150 per month, net operating revenue available to cover all other operating expenses, including taxes. No net operating revenue has been available to applicant for payment of interest on a trust deed payable to Citizens National Trust and Savings Bank of Riverside at Banning. The unpaid balance on this trust deed, as shown on applicant's balance sheet as of December 31, 1951, was \$25,789.45. Since December 19, 1946, applicant's shareholders have been assessed a total of \$21 per share (1,666 shares outstanding as of December 31, 1951) for the payment of interest and other obligations.

The record shows that average fixed capital of \$241,812 for the year 1951 was determined by the staff engineer by his starting with the appraisal of applicant's property, submitted in Application No. 30742, as Exhibit No. 4, and adopted by the Commission in Decision No. 43950, and adding thereto the additions and betterments, less retirements, through the year 1951.

Several consumers appeared and were represented at the hearing. The consensus of their testimony is that the proposed domestic metered service rates would be beyond the ability to pay of pensioners who were residents of the area, and that the proposed irrigation rate would work a hardship on persons raising olives and other fruit and irrigating pastures for cattle. They agreed that applicant was entitled to some relief, but they objected to the requested rate. The Commission recognizes that the proposed domestic metered service rate represents not only a drastic increase, percentage-wise, but also makes the cost of domestic water service relatively high, but, on the other hand, it is evident that applicant

is in need of financial relief in order not to continue to operate at a loss. Therefore, the filing of a different schedule of rates which is considered to be just and reasonable, will be authorized by the order herein.

The record shows that the proposed irrigation rate of \$0.60 per miner's inch-hour per 24-hour run represents a cost of approximately \$15 per acre-foot. This water is potable and is delivered to the consumers' premises. By way of comparison, the record shows that untreated irrigation water obtained from the Metropolitan Water District, which must be transported by the consumer to his own premises at his own expense, costs about \$15, and that treated, potable Metropolitan District water, also not delivered to consumers' premises, costs about \$22 per acre-foot. The irrigation rate proposed by applicant herein, therefore, is not considered to be unreasonable and the order which follows will authorize applicant to file its proposed rate for irrigation service, as applied for.

The increase in rates for domestic metered service and irrigation service authorized herein will produce estimated operating revenues of \$13,323 per year which, when considered with estimated operating expenses of \$12,074, will produce estimated net operating revenue of \$1,249. This net operating revenue, when related to a depreciated rate base of \$126,221, will produce an estimated rate of return for applicant of 0.99%. The company cannot expect a full return on its investment in fixed capital as the system is overbuilt for the number of consumers presently served.

O R D E R

Cabazon Water Company, a corporation, having applied to the Commission for authority to increase its rates for domestic

and irrigation water service in and about Cabazon, Riverside County, a public hearing 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 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 July 1, 1952.
2. That applicant's presently filed Schedule No. 1, Flat Rate Domestic Service, be and it is cancelled.

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

Dated at Los Angeles, California, this 5th day of June, 1952.

R. J. [Signature]
 President
Justin J. Casner
Harold Hulse
Kenneth [Signature]
Robert L. [Signature]
 Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service.

TERRITORY

Throughout the authorized service area in and in the vicinity of Cabazon, Riverside County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 700 cu.ft. or less.....	\$3.50
Next 3,300 cu.ft., per 100 cu.ft.....	.30
Next 6,000 cu.ft., per 100 cu.ft.....	.15
Over 10,000 cu.ft., per 100 cu.ft.....	.10

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$3.50
For 1-inch meter.....	7.00
For 2-inch meter.....	10.00
For 3-inch meter.....	12.50

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

A meter may be installed on any service at the option of either the consumer or the utility.

EXHIBIT A
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Schedule No. 2

IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation service rendered from low-pressure irrigation pipe lines.

TERRITORY

Throughout the authorized service area in and in the vicinity of Cabazon, Riverside County.

RATES

	<u>Monthly Flat Rate</u>
For all irrigation water delivered per miner's inch per 24-hour run.....	\$0.60

The term "miner's inch" as used herein denotes one-fiftieth of a second-foot.