

ORIGINAL

Decision No. 48049

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SEARLES DOMESTIC WATER COMPANY, a)
corporation, for an order (1) Amending)
its Certificate by adjusting its service)
areas; and (2) Authorizing it to adjust)
its water rates.)

Application No. 32337
(Amended)

Gibson, Dunn & Crutcher, attorneys, by Woodward M. Taylor, for applicant; Mr. and Mrs. Walter Gorge, Andrew Kozachenko, H. C. Delavan, Mr. and Mrs. Ralph Ossin, Henry J. Heesman, in propria personae, and Gertrude Delavan for Searles Valley Improvement Association, protestants; William Boyle and Dr. Fred G. Smith, in propria personae, interested parties; James F. Wilson, for the Commission staff.

O P I N I O N

Searles Domestic Water Company, a corporation, by the above-entitled application filed April 23, 1951, as amended October 10, 1952, and as further amended at the hearing with respect to its service area, seeks authority to (1) amend its certificate of public convenience and necessity to permit adjusting its certificated service area, and (2) adjust its rates for water service in and about the towns of Trona and Argus and surrounding unincorporated territory, including Pioneer Point, between Argus and Trona, and between Trona and Pioneer Point, San Bernardino County. It also proposes to render service in and about the unincorporated communities of Borosolvay and South Trona, San Bernardino County. Exhibit No. 3, a large scale map filed at the hearing, shows in green applicant's present service area and the areas requested to be added thereto.

A public hearing in this matter was held before Examiner Warner on November 20, 1952, at Trona.

Adjustment to Service Areas

Applicant's present service area was delineated by the Commission's Decision No. 41615, dated May 18, 1948, in Application No. 20234. Exhibit A attached to the amended application and Exhibit No. 1 filed at the hearing are maps of such area. They also show in yellow two small areas southeast of the railroad tracks and in the Searles Dry Lake bed near Argus which applicant desires to have eliminated from its dedicated service area. They are uninhabited and no application for water service has ever been, or is expected to be, received therefor.

For some time applicant has been furnishing water service to consumers outside its service area north of Argus, between Trona and Pioneer Point, and north of Pioneer Point as a convenience to home builders in those areas. Also, American Potash & Chemical Corporation,^{1/} applicant's parent company, has been furnishing water service without charge to some of its employees who reside in and about Borosolvay and South Trona. Applicant's president testified that the purpose of this application, with respect to the adjustment of the certificated service area, was to have the afore-mentioned areas included in its dedicated service area and to provide for the anticipated addition of approximately 70 new customers planning to reside in homes proposed to be built in an area north of Pioneer Point. These proposed additions comprise about 464 acres.

1/ Hereinafter referred to as American.

Sources of Water Supply

The record shows that the sources of water supply in and about Trona and surrounding territory are scarce. Applicant presently purchases water under contract from American at the contract rate of \$0.19 for each 1,000 gallons. American gathers the water from 26 springs, some of which produce not more than 2 gallons per minute, through about 36 miles of gathering and transmission pipe line located along the easterly slopes of the Argus range. Such water is delivered to applicant at an elevated storage point at Pioneer Point in the extreme northeasterly portion of applicant's service area. American also transports water produced in Indian Wells Valley through a 29-mile pipe line laid in Salt Creek and this water is delivered to applicant at an elevated storage reservoir on the west side of Trona. Exhibit No. 15 is an estimate of applicant's 1953 water needs based upon 1952 and 1951 water use. This exhibit shows that the total water sold for the estimated year 1952 will be 51,667,900 gallons. After taking into account new residential construction, the additional consumers and the installation of meters in South Trona and Borosolvay, and the effect of the application of a higher rate for water usage in excess of 10,000 gallons per month as discussed hereinafter, total estimated 1953 requirements would be 62,212,700 gallons.

Proposed New Water Purchase Contract with American Potash & Chemical Corporation

Exhibit No. 4 is a copy of a proposed water purchase agreement with American in which American now agrees to sell to applicant up to 67 million gallons per year of American's surplus water produced from its various wells and springs at \$0.19 per

1,000 gallons, the same rate presently charged. In a prior agreement executed May 2^o, 1948, proposed to be cancelled and superseded, American agreed to sell applicant 55 million gallons per year. The proposed agreement appears to be reasonable and its execution will be approved by the order which follows. The right to purchase 67 million gallons per year will provide applicant with approximately 4,790,000 gallons in excess of its estimated 1953 needs.

Adjustment to Rates

In Decision No. 41615 the general metered service water rate established provided for a minimum charge of \$0.75 per meter per month for the first 500 gallons or less of water usage, with the next 2,500 gallons at \$0.05 per 100 gallons, the next 3,000 gallons at \$0.07 per 100 gallons, and all over 6,000 gallons at \$0.10 per 100 gallons. It will be noted that the rates for the last two blocks become progressively higher than the "next 2,500 gallons" block. This form of schedule was established in order to conserve water usage.

The record shows that since 1948 large quantities of water have been conserved. However, due to the growth of activities at the plant of American, which is a defense industry located in a critical defense housing area, such water conservation that has been effected has not been adequate.

Applicant proposes in this application to remove from its presently filed General Metered Service Schedule No. 1 the words "over 6,000 gallons" and in lieu thereof to insert the words "next 4,000 gallons"^{2/} and to add a new rate to read "over 10,000 gallons, per 100 gallons, at \$0.15."

^{2/} The rate for water usage of between 6,000 gallons and 10,000 gallons per month would be \$0.10 per 100 gallons.

Exhibit No. 16 is an estimate of revenue, operating expenses, adjusted rate base and rate of return for the year 1953 under the proposed rates. It shows an estimated rate of return under such rates of 1.75% for the year 1953.

Applicant's president testified that it neither expected nor intended to earn what might be considered a fair rate of return on its operations. He stated further that the sole purpose and intention of the part of the application relative to adjustment of water rates was to conserve the usage of water by consumers using in excess of 10,000 gallons per month.

Conclusion

From a careful review of the record it is evident that applicant's source of water supply will be adequate to serve the proposed adjusted dedicated service area if the conservation of water, expected to be effected by the application of the proposed increased rates for usage in excess of 10,000 gallons, is considered.

The Commission is of the opinion that the application to adjust the service areas of Searles Domestic Water Company should be granted subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

The action taken herein shall not be construed to be a finding of the value of the property herein described.

Applicant's proposal to adjust its water rates as hereinabove described will be authorized by the order which follows.

Motels and Trailer Parks

It appears that applicant's presently filed general metered service schedule may not make appropriate provision for customers operating motels and trailer parks which have multiple units attached to a single meter. Operators of such units are now required to pay the maximum general metered service water rate of \$0.10 per 100 gallons for all consumption in excess of 6,000 gallons per month under present rates. Said operators will be required to pay the maximum rate of \$0.15 per 100 gallons for all water usage in excess of 10,000 gallons per month under the rates authorized herein if this practice is continued.

Therefore, the order which follows will provide that applicant study and investigate the effect of the rates authorized therein, insofar as they relate to this situation, and shall file with the Commission in writing a detailed report thereon together with such recommendations as may appear appropriate.

Restriction on Extension of Water System on
Furnishing Water Service Outside the Dedicated
Service Area.

Due to the limited source of water supply available to applicant, it is evident that a restriction should be placed on applicant's extending its water system or furnishing water service outside the dedicated service area authorized by the order herein, and the order which follows will so provide.

O R D E R

Amended application as above entitled having been filed and amended at the hearing, 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 public convenience and necessity require the issuance of a certificate of public convenience and necessity to Searles Domestic Water Company to adjust its service areas to conform to the territory outlined and shaded in green on the map filed at the hearing as Exhibit No. 3; and

IT IS HEREBY FURTHER 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. That applicant be and it is granted a certificate of public convenience and necessity to adjust its service area to conform to the territory hereinabove described.
2. That applicant shall not extend its water system or furnish water service outside the service area authorized by this order without further order of this Commission.
3. That applicant be, and it is, authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, together with a tariff service area map, and after not less than five (5) days' notice to this Commission and to the public, to make said rates effective for service rendered on and after February 1, 1952.
4. That applicant shall investigate and study the effect on motels and trailer parks of the application of the General Metered Service rates authorized herein, and, within thirty (30) days after the effective date hereof, shall file with the Commission in writing a detailed report of such study and investigation together with such recommendations as may appear appropriate.
5. That applicant be and it is authorized to enter into the water purchase agreement with American Potash & Chemical Corporation, an unexecuted copy of which was filed at the hearing as Exhibit No. 4, subject to the following conditions:

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to metered water service for domestic household purposes, for commercial or retail establishments and small industrial enterprises.

TERRITORY

Within Argus, Trona, Pioneer Point (Point of Rocks), Borosolvay and South Trona, unincorporated communities and territory along the westerly shore of Searles Lake, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 500 gallons or less.....	\$0.75
Next 2,500 gallons, per 100 gallons.....	.05
Next 3,000 gallons, per 100 gallons.....	.07
Next 4,000 gallons, per 100 gallons.....	.10
Over 10,000 gallons, per 100 gallons.....	.15
 Minimum Charge:	
5/8 x 3/4-inch meter.....	\$0.75
1-inch meter.....	1.50
1 1/2-inch meter.....	2.00
2-inch meter.....	2.50
3-inch meter.....	3.00

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

SPECIAL CONDITIONS

1. A separate meter and service connection is required for each single family residence, each commercial or retail establishment and each industrial enterprise regardless of the customer's single ownership or control of the premises served or to be served.

2. The Company reserves the right to limit water service to any manufacturing, processing, industrial or commercial enterprise to not exceed 60,000 gallons per month.

(a) Applicant shall file with the Commission within thirty (30) days after the effective date of this order, two certified copies of the contract as executed, together with a statement of the date on which the contract is deemed to have become effective.

(b) Applicant shall notify this Commission of the date of termination of said contract within thirty (30) days from and after said date of termination.

6. That applicant shall file within forty (40) days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale of not less than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the location of various properties of applicant.

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

Dated at Los Angeles, California, this 16th day of December, 1952.

R. F. [Signature]
President.

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners.