

Decision No. 49434**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
MOUNTAIN PROPERTIES, INC., a Cali-)	
fornia corporation, under Section 728)	
of the Public Utilities Code to)	Application No. 34200
increase its rates for its Twentynine)	(Amended)
Palms Water System.)	

Moss, Lyon & Dunn, attorneys, by Charles B. Smith, for applicant; Everett Cleveland, Harold Friedman, John A. Johnson, Ida M. Johnson, Ralph Henry, Julia G. Fisher, Wilhelmine Waldeck, in propria personae, and Julius H. Buchman, in propria persona and for 35 others, protestants; Ben F. Coleman, William R. Lane, Harris G. Sherman, Irma Travis, Mrs. Fred H. Petersen, Bert King, in propria personae, and Daisy B. Coats, in propria Persona and for Julia Fisher and Ida M. Johnson, interested parties; Theodore Stein, for the Commission staff.

O P I N I O N

(1)

Mountain Properties, Inc., by the above-entitled application filed March 30, 1953, as amended April 20, 1953, and September 14, 1953, seeks authority to increase rates for water service in its Twentynine Palms Water System, San Bernardino County.

A public hearing in this matter was held before Examiner Warner on October 29, 1953, at Twentynine Palms. A third amendment filed October 26, 1953, proposing a different schedule of rates was not considered. Several consumers and property owners appeared at the hearing and complained of poor water service and protested the granting of the application.

(1) By Decision No. 48648, dated June 1, 1953, in Application No. 34371, Mountain Properties, Inc., and Desert Water Co. were consolidated into a new corporation known as Pacific Water Co.

General Information

As of December 31, 1952, Mountain Properties, Inc., furnished water service in about 18 water systems in Los Angeles, Orange, San Bernardino and Kern Counties to a total of 6,771 consumers. Total fixed capital as of June 30, 1953, for Pacific Water Co. amounted to \$1,682,530.

During the year 1952 applicant furnished water service to an average of 556 consumers in its Twentynine Palms System. The record shows that an average of about 100 new accounts will be added during the year 1953, for an average of approximately 656 consumers for the year. About 35 consumers were receiving water service without meters and their monthly bills were based on estimated consumptions.

Exhibit No. 4, a Commission staff engineering report, contains a schematic diagram as Chart 1-C showing the sources of water supply and storage of applicant's Twentynine Palms System, together with their respective elevations. Chart 1-D is a map of applicant's Twentynine Palms System service area. The service area comprises about 21 sections of land amounting to 13,200 acres, of which the subdivided portions are less than 20 per cent occupied at the present time. A portion of the service area is within the boundaries of the Joshua Tree National Monument.

Rates

Applicant alleged in its application that its earnings for the year 1952 at the present rates produced an inadequate rate of return. The following tabulation is a summary of the present and proposed rates, and the rates authorized by the order herein:

COMPARISON OF PRESENT, PROPOSED AND AUTHORIZED RATES

		<u>Per Meter Per Month</u>		
		<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First	500 cu.ft., or less	\$2.25		\$2.50
Next	1,500 cu.ft., per 100 cu.ft.	.40		.40
Next	8,000 cu.ft., per 100 cu.ft.	.30		.30
Over	10,000 cu.ft., per 100 cu.ft.	.20		.20
First	650 cu.ft., or less		\$ 3.25	
Next	1,350 cu.ft., per 100 cu. ft.		.40	
Next	8,000 cu.ft., per 100 cu. ft.		.30	
Over	10,000 cu.ft., per 100 cu. ft.		.20	

The preceding tabulation indicates that the unit quantity rate for water consumption up to 500 cubic feet per meter per month is 45 cents per 100 cubic feet under the present rates and would be 50 cents per 100 cubic feet under the proposed rates. No change is proposed in the blocks in excess of the minimums.

Applicant proposes to discontinue its Schedule No. 2, Seasonal Metered Service, which has not been applied for some time.

Earnings

Exhibit No. 1 is a report submitted by applicant's president. It contains a statement of estimated earnings of the Twentynine Palms System under present and proposed rates and an estimate of earnings for the company as a whole under the proposed rates. Exhibit No. 4 is a report on the results of operation for the years 1951 and 1952 recorded, for the year 1952 adjusted, and for the year 1953 estimated. The earnings information in Exhibits Nos. 1 and 4 for the Twentynine Palms System is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1952		Year 1953 Estimated		
			P.U.C. Exhibit #4		Co.Ex.#1:
	Present Rates Recorded	Present Rates Adjusted	Present Rates	Proposed Rates	Proposed Rates
Operating Revenue	\$27,563	\$27,563	\$35,000	\$43,800	\$40,177
Oper. & Maint. Exp	20,087	18,300	19,704	19,704	21,836
Depreciation	3,351	8,004	8,660	8,660	8,586
Taxes	1,497	1,243	2,275	6,851	3,863
Uncoll.	50	50	50	65	48
Total Oper. Exp.	\$24,985	\$27,597	\$30,689	\$35,280	\$34,333
Net Oper. Revenue	\$ 2,578	\$ (34)	\$ 4,311	\$ 8,520	\$ 5,844
Rate Base	\$79,121	\$79,121	\$88,894	\$88,894	\$135,899
Rate of Return	3.26%	-	4.85%	9.58%	4.34%

(Red Figure)

No significant difference in estimated revenues or expenses between the staff showing and that of the company appears. However, the estimates of rate base for the year 1953 differ by about \$47,000. It appears that such differences are attributable to two major items, (1) applicant's estimate of its account C-18, Distribution Mains and Canals, amounting to \$290,000 as of December 31, 1953, which is not supported by the record. The estimated amount appears to be excessive. (2) Applicant's deduction for consumers' advances for construction and donations in aid of construction as shown on page 7 of Exhibit No. 1 which does not reflect the full amount of consumers' advances and donated capital. The staff exhibit appears to account properly for the estimated additions to fixed capital in service for the year 1953, together with consumers' advances and donated capital and the staff estimates, therefore, are adopted for the purposes of this proceeding.

The staff engineer testified that he had recomputed depreciation expense according to the remaining life basis and he recommended a composite rate of 2.77% as developed in his computations. He further recommended that a comprehensive review of applicant's

depreciation practices be made at least once each four years, or more frequently should there be major retirements or capital expenditures.

Service Complaints

Considerable testimony was taken from several consumer witnesses regarding their complaints about deficient water service. The major complaints were that water service had failed many times during 1953 for periods of from one to twenty-four hours, and that such failures had caused great inconvenience. Exhibit No. 5 is a schedule of water service interruptions and it corroborates much of the testimony of the consumers. With a water system of approximately 750 consumers, applicant should employ and retain a full-time service man in the community to assure continuous service. An amount for such an employee was provided for in the staff engineer's estimate for 1953.

One consumer witness testified that a storage tank, known as the Griffin tank and shown on Exhibit 1-C of Exhibit No. 4, had overflowed and washed away soil from its base and constituted a hazard to the community below it.

Applicant's president claimed surprise and lack of knowledge of the deficient water service conditions complained of and indicated that steps would be taken immediately to investigate each complaint and remedy it. The order which follows will provide that a report be filed in writing with the Commission regarding steps taken by applicant to answer and remedy such complaints.

— If this company is in arrears in refunding consumer advances due them under the provisions of applicant's filed Rule and Regulation No. 19, Water Main Extensions then such financial obligations should be promptly paid as provided for under the rule when due. —

Conclusion

It is evident that applicant is in need of financial relief in its Twentynine Palms System. The recorded and adjusted earnings for the year 1952 and its earnings for the estimated year 1953 at present rates indicate that applicant's earnings have been and will be deficient. However, it is evident that applicant's proposed rates would produce an excessive rate of return. The order which follows will provide for the filing of rates which will produce estimated gross annual revenues of \$37,826, or a gross annual increase of approximately \$2,800. Such revenues, when related to total estimated operating expenses for the year 1953 of \$32,214, will produce estimated net revenues of \$5,612. This net revenue, related to an estimated rate base of \$88,894, will produce a rate of return of 6.3%. Such rate of return is found to be just and reasonable for this utility in its Twentynine Palms System, and its components are hereby adopted for the purposes of this proceeding.

Meters should be installed on all active services at the earliest possible date. The practice of estimating consumption, for billing purposes must be discontinued immediately. Further, applicant should review its meter reading and billing methods in the Twentynine Palms district, looking toward effecting substantial operating economies by following standard utility practices in these two operations.

O R D E R

Application as above-entitled, and as twice amended, having been filed, 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.(a) That applicant be and it is authorized to file in quadruplicate with this Commission, after the effective date of this order, the schedule of rates shown in Appendix A attached hereto, and on not less than five days' notice to the Commission and the public, to make such rates effective for service rendered on and after January 25, 1954.
- (b) That within thirty days after the effective date of this order applicant shall file with this Commission four sets of up-to-date rules and regulations governing customer relations, together with four copies of a tariff service area map acceptable to the Commission.
- (c) That upon the filing of the new schedule of rates authorized by this order, applicant's presently filed Schedule No. 2, Seasonal Service, shall be and it is canceled.
2. That on or before December 31, 1953, applicant shall file in writing with the Commission a report of its progress in answering and remedying the complaints of service deficiencies of record in this proceeding.
3. That within ten days after the effective date of this order applicant shall refund all earned advances, if any, for main extensions due under its presently filed Rule and Regulation No. 19, Water Main Extensions, and within thirty days thereafter shall notify this Commission in writing of its compliance with the conditions hereof.
4. That applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than

four years. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 15th day of December, 1953.

R. Z. [Signature]
President
Justus J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portion of the unincorporated community of Twentynine Palms and vicinity, San Bernardino County.

RATES

Per Meter
Per Month

Quantity Rates:

First 500 cu. ft. or less	\$ 2.50
Next 1,500 cu. ft., per 100 cu. ft.40
Next 8,000 cu. ft., per 100 cu. ft.30
Over 10,000 cu. ft., per 100 cu. ft.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.50
For 1-inch meter	3.50
For 1-1/2-inch meter	7.50
For 2-inch meter	15.00
For 3-inch meter	25.00
For 4-inch meter	35.00

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