

ORIGINALDecision No. 49428

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on)
 the Commission's own motion into the)
 rates, operations, practices, contracts,)
 main extensions, service area, water)
 supply and water service, and related)
 matters, or any of them of E. B. Abell,)
 doing business as Abell Water Company,)
 operating a public utility water system)
 in the Twentynine Palms area, in the)
 County of San Bernardino.)

Case No. 5402

Investigation on the Commission's own)
 motion to determine whether public)
 convenience and necessity require that)
 Mountain Properties, Inc., a corpora-)
 tion, be authorized and directed to)
 furnish water service to the inhabitants)
 of that certain area now being served by)
 E. B. Abell, doing business as Abell)
 Water Company, in the Twentynine Palms)
 area in San Bernardino County.)

Case No. 5403

Application of E. B. ABELL, doing)
 business as ABELL WATER COMPANY, in)
 Twentynine Palms, California for adjust-)
 ment of rates.)

Application No. 33359

Roland T. Williams, attorney, for E. B. Abell;
Eugene B. Abell, in propria persona; Moss,
 Lyon & Dunn, by George C. Lyon, attorneys,
 for Mountain Properties, Inc.; Julius H.
Buchman, in propria persona, and for Edward
 and Hazel Dunah and Mrs. Walter Nicolson,
 protestants and interested parties.
J. K. Power, James F. Wilson, and Theodore Stein,
 for the Commission staff.

O P I N I O N

By its orders dated August 21, 1952, the Commission
 instituted investigations as Cases Nos. 5402 and 5403 into the
 operations of E. B. Abell, doing business as Abell Water Company^{1/}

^{1/} Hereinafter referred to as Abell.

and to determine whether Mountain Properties, Inc.,^{2/3/} should be authorized and directed to furnish water service in the area now being served by Abell in the Twentynine Palms area, San Bernardino County.

Abell, by Application No. 33359, filed April 25, 1952, seeks authority to increase rates for water service in Twentynine Palms, San Bernardino County.

Consolidated public hearings in these matters were held before Examiner Warner on September 23, 1952, February 10, June 24 and October 30, 1953, at Twentynine Palms. The matters were submitted for the Commission's decision on February 10, 1953 but, by its order dated April 21, 1953, such submission was set aside and the matters were reopened for further hearing. The matters were again submitted for the Commission's decision on October 30, 1953.

General Information

Abell has been doing business as Abell Water Company in the Twentynine Palms area since 1938. He was granted a certificate of public convenience and necessity to construct and operate a public utility water system by Decision No. 32211, dated August 1, 1939, in Application No. 22561. The original certificated area was expanded by 1,320 acres by Decision No. 36005, dated December 8, 1942, in Application No. 24743. By Decision No. 41650, dated May 25, 1948, in Application No. 27521, the service areas for Abell Water Company and Twentynine Palms Water Company,^{4/} an adjoining public utility, were fixed.

^{2/} Hereinafter referred to as Mountain Properties.

^{3/} By Decision No. 48648, dated June 1, 1953, in Application No. 34371, Mountain Properties, Inc., and Desert Water Company were consolidated into a new corporation known as Pacific Water Co.

^{4/} Later acquired by Mountain Properties.

In 1948 Abell was furnishing water service to an average of 189 metered consumers. In 1952 the average number of consumers had increased to 247 and as of October 30, 1953 water service was being furnished to 312 meters and 117 additional units--a total of 429 consumers.

Cases Nos. 5402 and 5403

During the summer of 1952 the Commission received many service complaints from consumers regarding the inadequacy of Abell's water supply and service. Staff investigations had disclosed that Abell was planning to extend water service to a large number of new consumers and it appeared that the adequacy of the service may have become impaired to the detriment of the consumers and the community served. Cases Nos. 5402 and 5403 were instituted on the Commission's own motion and these matters were heard, together with Application No. 33359, on September 23, 1952. At this hearing evidence was taken from consumers which disclosed that water service was in a deplorable condition due to frequent and lengthy service failures and inadequate pressures. The evidence further disclosed that Mountain Properties which furnishes water service in adjacent territory in Twentynine Palms was ready, willing and able to take over a portion of Abell's water system in order to relieve the demands on the latter's water system. However, Abell testified that he had instituted a request to the Reconstruction Finance Corporation for a loan of \$20,000 to be used to drill and equip a new well, install a steel pressure tank, and construct about 6,600 feet of 6-inch main from the well site to the portion of the service area in which water failures had become most frequent.

At the hearing in June, 1953, Abell testified, and the evidence shows, that the \$20,000 loan had been approved by the Reconstruction Finance Corporation, that the drilling of the well

and installation of pump and pressure tank had been completed on June 1, 1953, and had been connected to the water system on June 12, 1953. The addition of the new well, pumping plant, pressure tank, and transmission and distribution pipeline facilities substantially augmented Abell's water system. At the October 1953 hearing, the evidence showed that the operations of the water system had greatly improved and that water pressures of between 40 and 60 pounds per square inch were being maintained throughout Abell's entire system. It now appears that Abell should be restricted to the furnishing of water service only in the areas shaded green and blue on the map Exhibit 8 filed at the hearing of February 10, 1953, and should not furnish water service in any portion of the orange-colored area without further order of the Commission, the Commission hereby finding that this utility has reached the limit of its capacity to supply water and that no further consumers at present can be supplied by said utility without injuriously affecting present consumers. Otherwise, it appears that Cases Nos. 5402 and 5403 should be dismissed.

Application No. 33359

Estimates of the results of operations under the present and the proposed rates were made by a witness called on behalf of applicant and by a Commission staff engineer. The following is a summary of their estimates for the year 1953, as set forth in Exhibits Nos. 15 and 21.

	Applicant		Staff	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$12,689	\$23,473	\$11,500	\$22,056
Operating and Maintenance Expenses	11,924	<u>1/</u>	6,010	6,010
Depreciation Expense	4,463		1,923	1,923
Taxes	220		1,125	5,240
Total	16,607	16,406	9,058	13,173
Net Revenue	<u>(3,918)</u>	7,067	2,442	8,883

(Red Figure)

. 1/ No details submitted.

The staff witness estimated that the net revenues under present rates for 1953 would be increased to \$2,955 if consideration were to be given to the additional plant to be provided through the \$20,000 loan from Reconstruction Finance Corporation and to increased water usage and number of customers following the installation of new facilities.

The loan from the Reconstruction Finance Corporation will bear interest at the rate of 5 per cent per annum and will be repayable in monthly installments of \$100 commencing three months after the date of issue of the note and continuing for 12 consecutive months, and thereafter at the rate of \$230 a month, so that during the first 12 months applicant will be faced with expenditures of about \$2,200 to service the loan.

In comparing the two estimates of results of operations, it appears that applicant's witness included salaries for Mr. and Mrs. Abell in the amount of \$6,500 and depreciation expense using the straight-line total life basis in the amount of \$4,463, whereas the staff witness included a combined salary of \$4,000 for Mr. and Mrs. Abell and depreciation expense of \$1,923 calculated according to the straight-line remaining life method. There are differences in the tax and other operating expense accounts.

The record contains no rate base with which we can associate the estimated net revenues. We have given full consideration to the testimony and exhibits offered in this proceeding and are of the opinion that the estimates of the staff engineer should be accepted for the purpose of this proceeding as representing reasonable operating revenues and expenses, that the present schedules of rates now in effect generally are comparable with rate levels prevailing elsewhere on water systems located in Riverside and San Bernardino Counties in size and nature comparable with

applicant's system, and that such rates should produce sufficient revenues to enable applicant to meet the principal and interest requirements of the new loan, to pay operating expenses and taxes and to provide something for surplus.

In our opinion applicant has not made an adequate showing that he is entitled to an increase in rates at this time. Accordingly, we will enter an order denying Application No. 33359 without prejudice.

Service Line Charges and
Consumers' Advances for Main Extensions

The record (Exhibit No. 3) shows that applicant collected the sum of \$465.72 from the Victorville Union High School District for the installation of a service line and meter to serve the high school, located in Section 21 in the northeast corner of Twentynine Palms, on the basis that service was temporary in nature. The record further shows that this service was not of a temporary nature and the collection of such charge was not in accordance with applicant's filed tariff schedules. In the order which follows applicant will be required to refund the total amount collected.

Applicant has been exceedingly lax in refunding that portion of consumer advances due them under its Rule and Regulation No. 19, Water Main Extensions. Exhibit No. 14 shows that, as of November 30, 1952, an unrefunded balance remained for some 45 separate consumer advances in aid of construction totaling \$57,767.24, of which an additional \$2,830.56 was due and unpaid. These are financial obligations which should be promptly paid as provided for under the rule when due. The order which follows will require applicant to make such refunds as are due from time to time.

O R D E R

Investigations on the Commission's own motion into the operations of E. B. Abell, doing business as Abell Water Company, and to determine whether Mountain Properties, Inc., a corporation, should be authorized and directed to furnish water service in the area now being served by Abell Water Company in the Twentynine Palms area, having been instituted and application as above-entitled having been filed, public hearings having been heard, the matters having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the public interest requires that the furnishing of water service by E. B. Abell, doing business as Abell Water Company, be restricted to the service area described below:

Parts of Sections 20, 21, 27, 28, 29, 30, and 31; Township 1 North; Range 9 East; San Bernardino Base and Meridian; and is more particularly described as follows:

"Beginning at the west quarter-corner Section 21; thence east one-half mile to the center of the section; thence south one-quarter mile; thence east one-half mile to Utah Trail; thence south one-quarter mile to Two Mile Road; thence east one-eighth mile along Two Mile Road; thence south three-eighths mile; thence west five-eighths mile to the mid-section line of Section 28, thence north three-eighths mile to the Two Mile Road; thence west one-half mile to Adobe Road; thence south along Adobe Road to Desert Trail Drive; thence east along Desert Trail Drive to Ocotillo Avenue; thence south along Ocotillo Avenue to Sunny Slope Drive; thence west to Adobe Road; thence south along Adobe Road to El Paso Drive; thence east along El Paso Drive to Ocotillo Avenue; thence south along Ocotillo Avenue one-sixteenth mile; thence west one-sixteenth mile to Adobe Road; thence north one-sixteenth mile along Adobe Road to El Paso Drive; thence west one mile along El Paso Drive and the prolongation of same to Mesquite Springs Road; thence south along Mesquite Springs Road to Old Dale Road; thence west along Old Dale Road to La Buena Tierra Avenue; thence south along La Buena Tierra Avenue to National Park Drive; thence northwesterly along National Park Drive to El Sol Avenue; thence north along El Sol Avenue to Twentynine Palms Highway;

thence east along Twentynine Palms Highway to the southwest corner of Tract 3075; thence north along the west boundary of said tract to the northwest corner of same; thence east along the north boundary of said tract to Datura Avenue; thence north along Datura Avenue and a prolongation of the same to Sunny Slope Drive; thence west along Sunny Slope Drive a distance of approximately 350 feet; thence north to Two Mile Road; thence east along Two Mile Road to Mesquite Springs Road; thence north along Mesquite Springs Road to Siesta Drive; thence east along Siesta Drive to Lazy Joe Road; thence south along Lazy Joe Road to Homestead Drive; thence east to the west boundary line of 'Bagley Oasis Road Tract'; thence north along the west boundary line of said tract to the northwest corner thereof; thence east along the north boundary line of said tract to the northeast corner thereof; thence south along the east boundary line of said tract a distance of approximately 1,000 feet; thence east to Adobe Road; thence north along Adobe Road to the point of beginning."

therefore;

IT IS HEREBY ORDERED that E. B. Abell, doing business as Abell Water Company,

Shall not furnish water service outside of the area delineated hereinabove without further order of this Commission.

IT IS HEREBY FOUND AS A FACT that E. B. Abell, doing business as Abell Water Company, has collected certain charges for service installations unlawfully and further has not refunded amounts due consumers under filed tariff schedules for main extensions; therefore,

IT IS HEREBY FURTHER ORDERED that E. B. Abell, doing business as Abell Water Company, shall:

1. Refund, within thirty days after the effective date of this order, \$465.72 to the Victorville Union High School District and, within thirty days thereafter, notify this Commission in writing of his compliance with the conditions hereof.
2. Refund, within 180 days after the effective date of this order, all earned advances for main extensions due through December 31, 1952 under his several water main extension rules applicable and in effect from time to time and, within thirty days thereafter, notify this Commission in writing of his compliance with the conditions hereof.

3. Refund by March 31 of each year, commencing with March 31, 1954, all earned advances for main extensions due as of the proceeding December 31 under his water main extension rules in effect from time to time and under which such consumers' advances were initially made and, within thirty days thereafter, notify this Commission in writing of his compliance herewith until relieved from such notification by further order of this Commission.

IT IS HEREBY FURTHER FOUND AS A FACT that the public interest no longer requires that the Commission's investigations be continued; therefore,

IT IS HEREBY FURTHER ORDERED:

That Cases Nos. 5402 and 5403, ordered by the Commission on August 21, 1952, be, and they are, dismissed.

IT IS HEREBY FURTHER FOUND AS A FACT that the rates and charges for water services of E. B. Abell, doing business as Abell Water Company, as presently on file with the Commission are reasonable and that the increases in rates and charges proposed in Application No. 33359 are unreasonable; therefore,

IT IS HEREBY FURTHER ORDERED:

That Application No. 33359, E. B. Abell, doing business as Abell Water Company, for authority to increase rates for water service in Twentynine Palms, be and it is denied without prejudice.

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. E. Johnson
President
Justina J. Calver
Kenneth P. Potter
John E. McMillan
Vernon Deegan
Commissioners