

Decision No. 53482**ORIGINAL**

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 amend-) Application No. 37700
ing its certificate by adjusting)
its service areas.)

Donald W. Jordan, for applicant;
Charles W. Drake, for the Commission staff.

O P I N I O N

Searles Domestic Water Company, a corporation, hereinafter referred to as applicant, has authority from this Commission to render service as a public utility water company in portions of San Bernardino County, California, including the unincorporated communities of Pioneer Point, Point of Rocks, Trona, Argus, Borosolvay and South Trona.¹ Applicant is restricted from further extending its service area or system without authority from this Commission. Applicant purchases its water from the American Potash and Chemical Corporation for 19 cents per 1,000 gallons pursuant to a contract, heretofore approved by this Commission, whereby the said company has agreed to furnish the applicant with 67,000,000 gallons of water per year.²

¹ Decision No. 36822, dated January 12, 1944, in Application No. 25812 (45 C.R.C. 180); Decision No. 36939, dated March 14, 1944, in Application No. 25812; Decision No. 41615, dated May 18, 1948, in Application No. 29234; Decision No. 41787, dated June 29, 1948, in Application No. 29234; Decision No. 42355, dated December 28, 1948, in Application No. 29234; Decision No. 48049, dated December 16, 1952, in Application No. 32337.

² Decision No. 48049, dated December 16, 1952, in Application No. 32337.

By the application herein, filed on January 27, 1956, applicant seeks authority (a) to enter into two new water purchase contracts, and (b) to add the following described territories to its Trona and South Trona areas, respectively:

1. Trona

That portion of Tract 50, Sec. 17, T.25 S., R.43 E., M.D.B. & M. described as follows: Beginning at corner number 4 of said Tract, thence S. 89° 55' E. a distance of 1590.21' thence S. 0° 02' 57" W. a distance of 709.21 feet, thence N. 89° 55' W. a distance of 1182.75 feet, thence S. 55° 43' W. a distance of 493.42 feet to the west line of Tract 50, thence north 0° 02' 57" E. a distance of 988.44' to the point of beginning.

2. South Trona

The south 650 feet of Lot 9, Sec. 31; N½ of Lot 10 of Sec. 31; N½ of Lot 11 of Sec. 31, situate westerly of the County Highway right of way, T.25 S., R.43 E., M.D.B. & M.

The approximate locations of these areas are indicated in yellow on Exhibit A attached to the application.

A public hearing was held before Examiner Kent C. Rogers in Trona on May 8, 1956, and the matter was submitted subject to the filing by applicant of Exhibit No. 3. This exhibit has been filed and the matter is ready for decision. Prior to the hearing notice thereof was mailed to applicant's consumers as required by this Commission. There were no protests.

General Information

Applicant now furnishes domestic water to a total of approximately 1,100 customers in and in the vicinity of Pioneer Point, Point of Rocks, Trona, Argus, Borosolvay and South Trona, in the northwest portion of San Bernardino County. Applicant purchases its water from American Potash and Chemical Corporation (hereinafter referred to as American) which delivers water to applicant at a storage facility in Pioneer Point. The water is purchased under the terms of a contract between applicant and American, pursuant to which

applicant is entitled to receive 67,000,000 gallons of water per year at 19 cents per 1,000 gallons. Due to the shortage of water in the area applicant's rates increase as the quantity of water used increases. All services are metered. Applicant's filed rates contain the following provisions:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 gallons or less	\$0.75
Next 2,500 gallons, per 100 gallons05
Next 3,000 gallons, per 100 gallons07
Next 4,000 gallons, per 100 gallons10
Over 10,000 gallons, per 100 gallons15

These rates are subject to minimum charges which vary according to the size of the meter used.

Franchises, if necessary, will be secured from the County of San Bernardino.

The following evidence was presented by the applicant's witness:

The Trona Service Area
Extension and Water Contract

This area comprises approximately 27 acres (see Exhibit No. 2) and is contiguous to the existing certificated area. American recently acquired title to this property which is contiguous to the existing Trona business district owned by American. Much of the Trona business district is obsolete and American plans to renovate, improve and expand the business district (see proposed plans, Exhibit No. 4). As and when the area is improved American will advance the cost of pipe and mains to applicant which will refund such advance pursuant to its filed rule relative to advances for construction. According to applicant's witness the changes in the existing business district and the addition of new stores and office buildings in the proposed service area will not increase the water requirements to any great extent for the reason that much of the

existing business district will be replaced with parking lots. Some additional water will be required, however, and applicant proposes, subject to the consent of this Commission, to replace its existing 67,000,000 gallons of water per year contract with American with one whereby American agrees to sell applicant a maximum of 75,000,000 gallons of its surplus water per year for 30 years at 19 cents per 1,000 gallons, the rate presently charged (see Exhibit B on the application). One of American's executives testified that it has sufficient water to enable it to comply with the agreement.

The South Trona Service Area
Extension and Water Contract

This area comprises approximately 15 acres and is contiguous to and southwest of applicant's South Trona Service Area (see Exhibit 2 herein). The West End Chemical Company, hereinafter referred to as West End, is having constructed a housing subdivision in this area (see Exhibit No. 5 herein). This subdivision will have a total of 80 lots. At the present time 35 lots are laid out (Exhibit No. 5) and 17 houses are under construction. Four-inch transite pipe mains are to be laid in the streets. Services will be metered. The rates will be the existing rates charged by applicant. The applicant will install the pipe, but the cost will be borne by West End which in turn will be reimbursed by applicant pursuant to its filed main extension rule. West End has a source of water at Indian Wells (between Ridgecrest and Inyokern) from which it secures approximately 25,000,000 gallons of potable water per year. It has entered into an agreement (see Exhibit C on the application) with applicant whereby it has undertaken for a period of 30 years to supply applicant with a minimum of 8,000,000 gallons of water per year plus an additional 7,000,000 gallons per year of surplus water at the price of 19 cents per 1,000 gallons. This water will be delivered to applicant's mains in the South Trona area and mingled with its present water supply.

Evidence Presented by the Commission Staff

The evidence presented by the applicant was rather meagre, and the following evidence is from the staff's report (Exhibit No. 7) which clarifies the record.

Service Area

In South Trona a small domestic subdivision is being built. In Trona a commercial subdivision is being planned adjacent to the heart of the town.

Consumers

The number of consumers has increased from 193 in 1945 to 1,063 in 1955. The company anticipates approximately 60 new consumers in the coming 12-month period due to the new subdivision. Service for these new accounts has been considered in arriving at the new water purchase agreements between the applicant and West End and American.

Water Usage

The water usage is relatively low. There are no lawns, and very little shrubbery in the area. The basic reason for the water conservation is that this is a desert community, water is scarce and must be pumped from 30 miles away. Applicant has established a penalty rate under which the charge for water increases as the usage is increased.

The average monthly use per consumer over the past five years has been as follows:

<u>Year</u>	<u>Gallons</u>
1951	5,500
1952	5,500
1953	5,300
1954	4,700
1955	5,300

The estimated water usage for 1956 is 65,600,000 gallons, based on an average monthly consumption of 5,000 gallons per consumer and an average of 1,093 consumers for the year.

Water to be Purchased

Applicant has requested Commission approval of a new purchase agreement between American and applicant to cover 75,000,000 gallons per year of American surplus water. This water is to be sold to applicant at 19 cents per 1,000 gallons delivered to applicant's transmission mains. The water is to be chlorinated and made safe for domestic use. A new contract is proposed between applicant and West End whereby West End will guarantee 8,000,000 gallons of potable water per year from its wells. In addition, West End will sell applicant 7,000,000 gallons of its surplus potable water as needed. The wholesale price of this water will also be 19 cents per 1,000 gallons. The total amount of guaranteed water is 83,000,000 gallons annually, or approximately 8 per cent more water than was used in 1955, during which year approximately 12 per cent of applicant's water purchased was not accounted for in sales.

Staff Recommendations

On the basis of its investigation of the applicant, the staff made the following recommendations:

1. That applicant be granted a certificate of public convenience and necessity as requested;
2. That applicant file a sample copy of each type of main extension contract;
3. That the water contracts be approved.^{3,4}

Findings

Upon the evidence of record herein the Commission is of the opinion and finds that public convenience and necessity require

3 The American contract (Exhibit B on the application) refers to the purchased water as "surplus" (page 1 of Exhibit B). The staff recommended that the word surplus be deleted from the contract. Applicant's witness stated that the word has appeared in each contract heretofore approved by this Commission.

4 American Potash & Chemical Corporation has advised the Commission by letter dated July 18, 1956, and hereby made a part of the record herein, that notwithstanding the use of the word surplus in the agreement, it is the understanding and obligation of American Potash & Chemical Corporation to deliver a firm 75,000,000 gallons of water per year to applicant.

that applicant be authorized to construct and operate a public utility water system in unincorporated territory in San Bernardino County in the vicinity of Trona and South Trona, as heretofore described in the opinion herein. Each of which territories to be added is contiguous to a portion of applicant's presently certificated service area and which territories are shown on the map attached to the application as Exhibit A.

This certificate of public convenience and necessity is subject to the following provision of law:

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.

It is further found that the proposed agreement between the applicant and American Potash and Chemical Corporation (Exhibit B on the application), and the proposed agreement between the applicant and West End Chemical Company (Exhibit C on the application) are reasonable and their execution will be authorized by the order herein.

O R D E R

The Commission having considered the evidence submitted at the hearing herein and having made the above findings based upon said evidence; now therefore,

IT IS ORDERED as follows:

1. That a certificate of public convenience and necessity be, and it hereby is, granted to Searles Domestic Water Company to construct, maintain and operate a public utility water system in the areas described in the opinion herein; said certificate of public convenience and necessity to become effective after the effective date of this order and after the date of filing in compliance with ordering paragraphs 5 and 6 hereinafter.

2. That Searles Domestic Water Company shall not extend its water system or furnish water service outside the service area authorized by Decision No. 48049 and the order herein without further authorization of this Commission.
3. That Searles Domestic Water Company is authorized and directed to file, within forty days after the effective date of this order, in conformity with General Order No. 96, up-to-date tariff schedules acceptable to this Commission, such tariff schedules to include tariff service area maps, to provide for the application of said tariff schedules for water service in the areas being certificated by this order; such revised tariff sheets shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.
4. That Searles Domestic Water Company shall file within forty days after the effective date of this order 4 copies of a comprehensive map, drawn to an indicated scale of not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served by it in the County of San Bernardino including the territory it is authorized to serve by this decision, its principal water sources, storage and distribution facilities; and the location of its various water system properties.
5. That Searles Domestic Water Company be, and it hereby is, authorized to enter into an agreement to purchase water at 19 cents per 1,000 gallons from American Potash and Chemical Corporation, substantially in accordance with the terms and conditions of Exhibit B attached to the application herein, subject to the following conditions:
 - a. Applicant shall file with the Commission, within thirty 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 days from and after said date of termination.
6. That Searles Domestic Water Company be, and it hereby is, authorized to enter into an agreement to purchase water at 19 cents per 1,000 gallons from West End Chemical Company, substantially in accordance with the terms and conditions of Exhibit C attached to the

application herein, subject to the following conditions:

- a. Applicant shall file with the Commission, within thirty 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 days from and after said date of termination.
7. That Searles Domestic Water Company shall, within forty days after the effective date of this order, file, in conformity with General Order No. 96, a sample copy of its main extension contract. Such tariff sheet or sheets shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

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

Dated at San Francisco, California, this 23rd day of July, 1956.

[Signature]
President

Justin J. Calmes

[Signature]

[Signature]

[Signature]
Commissioners