

ORIGINAL

Decision No. 55111

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of RANCHO RAMON WATER CO., a
California corporation, for an
Order Authorizing a change in
water rates and tariff schedules
in the Garnet Gardens area of
Riverside County.

Application No. 38833

John Moore Robinson, secretary-treasurer, and attorney,
for applicant.
Charles W. Drake and Richard R. Entwistle, for the
Commission staff.

O P I N I O N

Rancho Ramon Water Co., a corporation, by the above-entitled application filed February 18, 1957, seeks authority to increase rates for water service in its Garnet Gardens area^{1/} in Riverside County.

A public hearing on this matter was held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on April 24 and 25, 1957, at Palm Springs. The instant captioned matter was consolidated for hearing with an adjourned hearing on Application No. 37389, as amended, of Rancho Ramon Water Co. for

^{1/} By Decision No. 52479, dated January 16, 1956, in Application No. 37452, applicant was authorized to acquire the certificate of public convenience and necessity issued to C. C. Covey and Maymo Jester Covey, doing business as Garnet Gardens Water Company, by Decision No. 41093, dated January 6, 1948, in Application No. 28411, and to acquire and operate the public utility water system of said Coveys in Garnet Gardens. Decision No. 52479, (supra), provided that the Covey rates for water service be continued in effect without increase or change.

Certificates of public convenience and necessity covering 22 additional, separate areas^{2/} in the North Palm Springs, Cathedral City, Indio, Palm Springs, Thousand Palms and Paradise Valley areas of Riverside and San Bernardino Counties; for authority to increase rates for water service to said 22 areas together with its original area, and for permission to issue and sell debentures and stock.

By Decision No. 52621, dated February 14, 1956, in Application No. 37389 (supra), applicant was granted a certificate to acquire, construct and operate a public utility water system in its so-called area "J", and by Decision No. 53451, dated July 16, 1956, in said application as amended, applicant was granted a certificate to acquire, construct and operate public utility water systems in areas "E", "K", "W", "X", "EB", and "Z". At adjourned hearings on December 12 and 13, 1956, evidence was received with respect to the granting of a certificate of public convenience and necessity covering areas "B", "C", "D", "F", "G", "I", "N", "O", "R", "S", "T", "U", "V", "AA", and "CC". Decision on the matter of the last-mentioned certificate is pending and the matter of the consideration of the establishment of new and increased rates for all of applicant's areas, except Garnet Gardens, was continued at the April 25, 1957, hearing until October 16, 17 and 18, 1957, in order to receive into evidence applicant's showing of the need for such increased rates and a Commission staff report of its investigation thereinto. No objections to the granting of the instant

^{2/} By Decision No. 48421, dated March 30, 1953, in Application No. 34028, applicant was granted a certificate of public convenience and necessity to operate a public utility water system in Rancho Ramon Tracts Nos. 1, 2, 3, and 4, Riverside County (applicant's so-called original area), and applicant's present rates for water service which are now being applied by applicant to all areas, except Garnet Gardens, were established by said decision.

application were entered at the April 24 and 25, 1957, hearings and said matter has been submitted and is now ready for decision.

General Information, Sources of Water Supply, and Description of Water System

Applicant's so-called Garnet Gardens system comprises 40 acres subdivided by the Coveys into 154 lots. As of December 31, 1956, water service was being furnished to 104 customers and applicant estimated that 10 additional customers would be added during the year 1957. All services are metered.

Applicant's Garnet Gardens area, known as applicant's service area "A", is located east of Indian Avenue, south of Dillon Road, approximately five miles north of the City of Palm Springs.

The sources of water supply in Garnet Gardens are two wells equipped with pumps having a combined capacity of 103 gallons per minute. Water pumped from said wells is stored in a 50,000-gallon cement reservoir at ground level, and two electrically powered booster pumps deliver water from the reservoir through a 3,000-gallon pressure tank into the distribution system composed of approximately 10,000 feet of steel pipe ranging in size from 8-inch to 1 $\frac{1}{2}$ -inch diameter.

Rates

Applicant's present rates have been in effect since February 18, 1948, pursuant to Decision No. 41093 (supra). The following tabulation compares applicant's present rates for water service with its proposed rates therefor:

<u>Quantity Charges</u>	<u>Rate Per Meter Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
First 700 cu. ft. or less	\$ 2.00	\$ -
Next 300 cu. ft., per 100 cu. ft.	.25	-
Next 4,000 cu. ft., per 100 cu. ft.	.20	-
Over 5,000 cu. ft., per 100 cu. ft.	.15	-
First 1,000 cu. ft. or less	-	3.50
Next 3,000 cu. ft., per 100 cu. ft.	-	.275
Next 5,000 cu. ft., per 100 cu. ft.	-	.22
Over 9,000 cu. ft., per 100 cu. ft.	-	.15

The record shows that the average monthly consumption of water is about 1200 cubic feet. Under the present rates, the bi-monthly charge for a bimonthly average consumption of 2400 cubic feet is \$6.30. Under the proposed rates, such charge would be \$8.10, an increase of \$1.80 per average customer or 28.6 percent.

Applicant's Rule and Regulation No. 9 of its present tariff schedules provides for bimonthly billing, and although the instant application proposes rates on a monthly basis, applicant, at the hearing, requested by amendment that its proposed rates be placed on a bimonthly basis. The schedule of rates hereinafter authorized will be on the conventional monthly basis. In accordance with its filed rate, applicant may continue to render bills for water service monthly or bimonthly at its option.

The record shows that the Garnet Gardens area, with the exception of a motel, a rather large water user, is of a residential character and that the residents of the area occupy their residences for the most part over weekends and during winter months. Not more than 25 percent of the water customers are year-round residents. Because of the residential character of the area, applicant believed that the proposed minimum rate, which would be the rate paid by most of the customers and under which said customers

would bear a substantial portion of the cost to the water company of maintaining year-round ready-to-serve facilities, would be equitable from a rate-block standpoint.^{3/} Applicant's witness testified that this same residential characteristic existed throughout its other 23 areas, and that the same rate-block principle should be applied in said additional areas. The rates proposed in Application No. 37389, which as noted hereinbefore are the same as those proposed in the instant application, are based on that principle.

Earnings

Applicant's water consultant witness submitted as Exhibit No. 1, a report on applicant's operations and earnings for the year 1956, adjusted, at present and proposed rates, and for the year 1957, estimated, at present and proposed rates. A Commission staff engineering witness submitted as Exhibit No. 2, a report on applicant's operations and earnings for the years 1955 and 1956, recorded, the year 1956, adjusted, at present and proposed rates, and the year 1957, estimated, at present and proposed rates. The following tabulation summarizes the earnings' data contained in Exhibits Nos. 1 and 2 for the year 1957, estimated, at present and proposed rates:

^{3/} A Water Use Analysis for the 12 months, September 1955 to August 1956, inclusive, submitted by the staff in Exhibit No. 2 shows that 56.71 percent of the consumer months fell in the consumption block of 0 to 1000 cubic feet per month.

SUMMARY OF EARNINGS
Year 1957, Estimated

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Per Co. Ex. No. 1</u>	<u>Per P.U.C. Ex. No. 2</u>	<u>Per Co. Ex. No. 1</u>	<u>Per P.U.C. Ex. No. 2</u>
Operating Revenues	\$ 4,267	\$ 4,113	\$ 6,182	\$ 6,105
Operating Expenses				
Maintenance & Operation	3,782	3,160	3,782	3,160
Depreciation	859	859	859	859
Taxes	<u>447</u>	<u>450</u>	<u>447</u>	<u>908</u>
Total Operating Expenses	5,088	4,469	5,088	4,927
Net Operating Revenues	(<u>821</u>)	(<u>356</u>)	1,094	1,178
Rate Base	\$ 22,223	\$ 22,300	\$ 22,223	\$ 22,300
Rate of Return	-	-	4.92%	5.3%

(Red Figure)

It is evident from an analysis of the earnings' tabulation hereinbefore included, that there were no substantial or significant differences between the estimates submitted by the applicant and the staff, particularly as to the final results of operation shown. The staff included in operating expenses lower figures for operations but computed estimated federal income tax expense as though Garnet Gardens area were a separate operating unit. The staff included in the rate base, for the year 1957, estimated, the average cost of the installation of a distribution main at least 4-inches in diameter connecting the Garnet Gardens District with applicant's North Palm Springs operations to provide a supplemental and standby source of water supply for both areas.

Staff Recommendations

The staff recommended the installation of the distribution main hereinbefore referred to; that a work order, time card, and inventory control system be established to provide records which would accurately reflect the changes in utility plant; that applicant utilize the staff appraisal of its properties as shown in the last column of Table 6-A of Exhibit No. 1 (supra) and the related depreciation reserve requirement as shown in column (3) of Table 7-A of said Exhibit No. 1 in adjusting its records for its Garnet Gardens District to reflect utility plant as of December 31, 1956; and that, beginning with the year 1957, applicant determine depreciation expense in its Garnet Gardens District by multiplying the depreciable utility plant by a rate of 3.2 percent, and that this composite rate be reviewed in connection with Application No. 37389 (supra), in which a composite rate for applicant's over-all utility plant will be determined, using the straight-line remaining life method.

Findings and Conclusions

It is evident from a review of the record, and the Commission finds as a fact and concludes, that applicant is in need of financial relief in its Garnet Gardens District, and that applicant should not be required to continue to operate its water system in said district at a loss at the present rates. It is further found as a fact and concluded that the rate of return for the year 1957, estimated, at applicant's proposed rates based either on applicant's showing of a rate of return of 4.92 percent, or upon the staff showing of 5.3 percent for said estimated year, is not excessive, and is reasonable. Applicant will be authorized by the order which follows to file the schedule of rates proposed in the application.

The Commission further finds as a fact that the increases in rates and charges authorized herein are justified and that present rates insofar as they differ from those herein prescribed will, for the future, be unjust and unreasonable.

The staff recommendations appear to be reasonable, particularly inasmuch as the recommended improvement to the distribution system has been included in the staff's rate base. The order which follows will provide that said recommendations be carried out.

O R D E R

Application as above entitled having been filed, public hearings having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED that Rancho Ramon Water Co., a corporation, be, and it 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, the schedule of rates shown in Appendix A attached hereto, and on not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after July 1, 1957.

IT IS HEREBY FURTHER ORDERED as follows:

1. That applicant shall, within one hundred eighty days after the effective date hereof, install a distribution main at least 4-inches in diameter connecting its Garnet Gardens District with its North Palm Springs operation to provide a supplemental and standby source of water supply for both areas, and shall

report in writing to the Commission within fifteen days after the completion of such installation of its compliance with the provisions of this paragraph.

2. That applicant, within forty days after the effective date of this order, shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of various properties of applicant, all pertaining to its Garnet Gardens District.

3. That applicant shall, on or before August 1, 1957, install a work order, time card, and inventory control system to provide records which accurately reflect the changes in utility plant and shall report in writing to the Commission the date when such procedures become effective within ten days thereafter.

4. That applicant be and it is authorized to utilize the staff appraisal of its properties and the related depreciation reserve requirement, and to place such appraisal and depreciation reserve on its books for its Garnet Gardens District to reflect utility plant as of December 31, 1956.

5. That beginning with the year 1957, applicant shall determine depreciation expense in its Garnet Gardens District by multiplying the depreciable utility plant by a rate of 3.2 percent, which rate shall be used until review indicates it should be revised, but such composite rate shall be subject to review and adjustment, if necessary, following a final determination of applicant's over-all utility plant composite rate using the

straight-line remaining life method in connection with Application No. 37389. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. 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 11th day of JUNE, 1957.

President
 Commissioner
 Commissioner
 Commissioners

APPENDIX A
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Schedule No. GG-1

Garnet Gardens Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Garnet Gardens adjacent to the intersection of Indian Avenue and Dillon Road, approximately 5 miles north of the City of Palm Springs, Riverside County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 3.50
Next 3,000 cu.ft., per 100 cu.ft.275
Next 5,000 cu.ft., per 100 cu.ft.22
Over 9,000 cu.ft., per 100 cu.ft.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	4.50
For 1-inch meter	6.00
For 1-1/2-inch meter	9.00
For 2-inch meter	15.00

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