

Decision No. 55909**ORIGINAL**

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 Certificates of Public)
 Convenience and Necessity to serve domes-)
 tic water in the North Palm Springs,)
 Thousand Palms, Cathedral City, Indio,)
 Palm Springs and Paradise Valley areas of)
 Riverside and San Bernardino Counties and)
 for establishment of rates thereunder, to)
 issue and sell debentures, and to issue)
 and sell stock.)

Application No. 37389
 Amended

John Moore Robinson, secretary and attorney, and
John A. Cunningham, consultant, for applicant.
Hal G. Cornelius, Ed Kenyon, Mrs. M. V. Sample,
Mrs. Jones, Mrs. Mary L. Braeden, Mrs. William
Hastings, Jack M. Singler, W. J. Rentschler,
Mrs. A. L. Larson, Miss Anna Elizabeth Nelson,
Miss Juliette G. Bayliss, Richard Grenzow,
Everett C. Willis, Eina Isbell, Thelma Waters
 and Mary A. Finson, protestants.
James G. Shields 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 October 10, 1955, as amended by its Fifth Amendment filed January 29, 1957, sought a certificate of public convenience and necessity covering areas in which it was furnishing water service in the North Palm Springs, Thousand Palms, Cathedral City, Indio, Palm Springs and Paradise Valley areas of unincorporated territory in Riverside and San Bernardino Counties. By Decision No. 52621 dated February 14, 1956, a certificate was granted to applicant covering its Area "J". By Decision No. 53451, dated July 16, 1956, a certificate was granted to applicant covering its Areas "E", "K", "W", "X", "Y", "BB" and "Z". By Decision No. 55274, dated July 15, 1957, a certificate was granted to applicant covering its Areas "B", "C", "D", "F", "G", "M", "N", "O", "R", "S", "T", "U",

"V" and "AA". By this application authority was sought, and by said decision authority was granted applicant, to issue debentures, demand notes, and common stock for the acquisition or construction of water systems in certain of said areas. Applicant also sought authority to file new schedules of rates covering all of its areas, excluding its originally certificated area, and excluding Area "A", its Garnet Gardens District, the rates for which were established by Decision No. 55111, dated July 11, 1957, in Application No. 38833.

Public hearings on the rate phase of the instant application were held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on October 16, 17, and 18, 1957 at Palm Springs. Several consumers from applicant's Thousand Palms and Rancho Vista Tract No. 2 areas protested the proposed rates, and filed a petition containing approximately 121 names in protest thereto.

By each of the decisions issued heretofore in the instant proceeding, viz., Decisions Nos. 52621, 53451, and 55274 (supra), applicant was authorized to apply, to each of the areas certificated thereby, its presently-filed schedules of rates for water service, which were established by Decision No. 48421, dated March 30, 1953, in Application No. 34028.

Rates

The following tabulation is a comparison of applicant's present rates and those proposed herein:

<u>Quantity Charges</u>	<u>Per Meter Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
First 1,000 cu. ft. or less	\$2.75	-
Next 4,000 cu. ft. per 100 cu. ft.	.23	-
Next 5,000 cu. ft. per 100 cu. ft.	.18	
Over 10,000 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

Under present rates, the monthly charge for an average consumption of 1,800 cu. ft. is \$4.59. Under the proposed rates, such charge would be \$5.70.

Earnings

Applicant's water consultant witness submitted, as Exhibit No. 145 as amended by Exhibit No. 145-B, a report on applicant's operations for the year 1956, recorded, and for the years 1957 and 1958, estimated, at proposed rates. A Commission staff engineering witness submitted, as Exhibit No. 147, a report on applicant's results of operations for the year 1956, recorded, the year 1956, adjusted, and the year 1957, estimated, at present and proposed rates. The earnings data contained in Exhibits Nos 145-B and 147 are summarized as follows:

Item	Year 1956		Year 1957 Estimated			
	Recorded		Present Rates		Proposed Rates	
	Present Rates per Co.	Ex. 145-B	Per Co. Ex. 145-B	Per PUC Ex. 147	Per Co. Ex. 145-B	Per PUC Ex. 147
Operating Revenue	\$24,228		\$29,000	\$27,234	\$34,000	\$34,301
Operating Expenses	35,287		39,460	25,280	39,460	25,280
Depreciation	19,219		25,511	10,800	25,511	10,800
Taxes	3,207		8,124	8,152	8,124	8,152
Total Oper. Exp.	\$57,713		\$73,095	\$44,232	\$73,095	\$44,232
Net Revenue	\$ <u>(33,485)</u>		\$ <u>(44,095)</u>	\$ <u>(16,998)</u>	\$ <u>(39,095)</u>	\$ <u>(9,931)</u>
Rate Base	Not Shown		407,500	320,600	407,500	320,600
Rate of Return	Not Shown		Nil	Nil	Nil	Nil

(Red Figure)

Analysis of the earnings tabulation hereinbefore shown indicates, and the record clearly shows, that applicant will suffer operating losses at its present rates and will continue to show substantial operating losses at its proposed rates, and that the rate of return will be nil. At the proposed rates, applicant will barely meet its maintenance and operating expenses and taxes before depreciation.

The groups of consumers who protested the proposed increase in rates alleged that, because of extreme sand and wind conditions in their respective desert areas, they were required to plant tamarisk trees and oleander bushes as windbreaks and that the cultivation and the constant irrigation of these plantings required excessive water usage. Applicant's president recognized these water requirements and suggested, informally to the consumer groups, that they form a Wind Abatement District as a political body empowered to levy property taxes for the planting, cultivation, and growth of windbreaks. By such tax and planting program, property owners whose properties were undeveloped would bear a share of the cost of such planting and would contribute to the water usage costs attendant thereto. It appears that this suggestion has merit in that property values might be stabilized or enhanced, but of course the Commission has no jurisdiction in this regard.

Several consumers complained of excessive water bills, and applicant was directed to survey the water habits and meter readings of all consumers in the Shengri-La, Thousand Palms, and Rancho Vista Tract No. 2 areas and to attempt to discover why individual monthly bills should vary, radically, between neighboring consumers with relatively similar water habits. Applicant was verbally directed to remedy any incorrect meter conditions or leakages discovered.

Findings and Conclusions

The Commission finds as a fact and concludes that the increases in rates for water service proposed in the instant application are not excessive and are justified; that the schedules of rates proposed to be established are just and reasonable; and that the present rates, insofar as they differ from those herein proscribed

will, for the future, be unjust and unreasonable. Applicant will be authorized hereinafter to file the schedule of rates proposed herein.

ORDER

Amended 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 schedules of rates shown in Appendix A attached hereto, and on not less than one day's notice to the Commission and to the public to make such rates effective for service rendered on and after January 1, 1958. ✓

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

Dated at San Francisco, California, this 10th day of December, 1957. ✓

[Signature]
 President

[Signature]

[Signature]

[Signature]

[Signature]
 Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain unincorporated areas in the vicinity of the cities and communities of Cathedral City, Desert Hot Springs, Garnet Gardens, Indio, North Palm Springs, Palm Springs, and Thousand Palms, Riverside County, and Paradise Valley, San Bernardino County.

RATES

Quantity Rates:	Per Meter Per Month
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.