

ORIGINAL

Decision No. 57883

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC WATER CO., a California)
corporation, under Section 454 of the)
Public Utilities Code, to increase)
its rates for its Morongo Valley)
Water System, in San Bernardino)
County, California.)

Application No. 39067
Amended

Moss, Lyon & Dunn, attorneys, by George C. Lyon, for appli-
cant.

Carl M. Mires; Mrs. Verna Eversmeyer; Mrs. Vera L. Martin;
Earl D. Abbott; Charles M. Knight; Lillian Haslem; Cyril
Millington; William W. Putman; Anton Kuharic; Mrs. Agnes
Kuharic; W. E. Shimer; J. C. English; Dr. George T. Harz;
Harry L. Dunn; Flem N. Archer; Davis Jones; E. P. Jones,
Mrs. A. W. Kinsley, and Bernard F. Arnold, in propria
personae; Mrs. Ruth Schubert, in propria persona and for
K. R. Wing; and Mrs. Marguerite Norton, in propria persona
and for Mr. and Mrs. K. D. Fobes; protestants.
Cyril M. Saroyan, John R. Gillanders, and A. L. Gielegem,
for the Commission staff.

OPINION

Pacific Water Co., a corporation, by the above-entitled application, filed May 15, 1957, as amended May 31, 1958, seeks authority to increase its rates for water service in its Morongo Valley Water System by approximately \$10,000 per year based on 1958 estimated operations. The proposed rates represent an over-all increase of 62.96 percent.

Public hearings were held before Examiner Stewart C. Warner on October 29 and 30, 1958, at Morongo.^{1/} About 60 persons attended

^{1/} The instant matter was consolidated for hearing with Application No. 40260 of Pacific Water Co. to abandon service on a concrete pipeline in its Morongo system.

the hearings and all of such persons who entered appearances protested the granting of the application. Said protests were based both on the magnitude of the rate increase sought and on alleged poor water service conditions. The matter was submitted for decision subject to the receipt of late-filed Exhibit No. 11 which is a report of the results of investigations by applicant into three specific service complaints. Said exhibit was received on November 10, 1958.

General Information

As of December 31, 1957, applicant operated 23 independent water systems in Orange, Los Angeles, San Bernardino, and Kern Counties, and furnished water service to 7,627 active service connections. Its utility plant in service amounted to \$2,179,570 as of that date, and gross revenue for the year 1957 amounted to \$274,190. The applicant was incorporated June 3, 1953 as a consolidation of two public utility water corporations - Mountain Properties, Inc., and Desert Water Co. By Decision No. 41627, dated May 25, 1948, in Application No. 28751, Desert Water Co. was granted a certificate of public convenience and necessity to acquire and operate the water system properties of Morongo Valley Mutual Water Co., a mutual water company, which had been furnishing water service in the area since about the year 1915.

As of December 31, 1957, the applicant herein was furnishing water service to 278 active metered water service connections and water was hauled from three hydrants by 82 water-haulage customers.

Description of Sources of Water Supply
and Water System

Applicant's sources of water supply are its wells Nos. 1 and 2 in the so-called Palm Wells area in Sections 14 and 23, and its wells Nos. 3 and 4 in the so-called town of Morongo area in Sections 20, 28, 29, 32, and 33, all in T1S in R4E, SBB&M, as shown on Chart 3-B of Exhibit No. 4. Chart 12-A, of Exhibit No. 9, is a schematic diagram of the water system in the Palm Wells area. Said chart shows that water is pumped from wells Nos. 1 and 2, at an elevation of 2,730 feet, to a storage tank at an elevation of 2,940 feet. Chart 12-B, of Exhibit No. 9, is a schematic diagram of the water system in the town of Morongo area. Said chart shows that water is pumped from wells Nos. 3 and 4, at elevations of 2,630 feet and 2,575 feet, respectively, to storage tanks, the highest elevation of which is 3,280 feet. The distribution pipe-line system includes a total of 108,924 feet of 4- by 6-foot rock tunnel and conduit, drive pipe, standard screw, cement asbestos, welded steel, and concrete mains.. Of this total, 75,875 feet of pipe lines are welded steel, 16,599 feet are 8-inch concrete, and 14,990 are standard screw, the majority of the latter being of 2-inch diameter. The record shows that in the Palms area the distribution system from the new well to the storage tank is inadequate and substandard; that pipes are undersized and friction losses are excessive; that this condition makes it necessary to throttle down the flow from one of the wells; that sections of substandard main have been replaced in this area with insufficient cover; and that applicant proposes to replace a portion of this system but that unless more of the system is replaced it will still be necessary to throttle the flow from the

well. The record further shows that continued rapid growth in the town of Morongo, particularly in the northwestern portion of the service area, will place an increased load on the existing wells and distribution facilities; that two elevated 21,000-gallon tanks and two 15-HP booster pumps are proposed by applicant to be installed to supply service to this area; that the existing pump efficiencies are unnecessarily low; that the pumping equipment needs to be overhauled or replaced to bring it up to a reasonable standard; that there is excessive friction loss in the mains between well No. 4 and the 42,000-gallon storage tank which restricts the increased flow to the tank; that the original collection facilities, transmission line, and the chlorinator for the spring supply from Big Morongo Creek are no longer being used; and that applicant has some intentions but no firm plan for utilizing the sources of water supply from the spring in Big Morongo Creek.

Rates

Applicant's present rates for both metered and flat (hauled water) water service were established by Decision No. 46960, dated April 8, 1952, in Application No. 33002. The following tabulation compares the present rates, those proposed in the application as amended, and those authorized hereinafter:

General Metered Water Service

Quantity Rates:

		Per Meter Per Month		
		<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First	500 cu. ft. or less	\$ -	\$ 4.00	\$ -
First	750 cu. ft. or less	3.00	-	4.00
Next	4,500 cu. ft., per 100 cu. ft. ..	-	.60	-
Next	250 cu. ft., per 100 cu. ft. ..	.40	-	-
Next	3,000 cu. ft., per 100 cu. ft. ..	.25	-	-
Next	4,250 cu. ft., per 100 cu. ft. ..	-	-	.38
Over	4,000 cu. ft., per 100 cu. ft. ..	.20	-	-
Over	5,000 cu. ft., per 100 cu. ft. ..	-	.50	.20

Under the present rates the charge for an average bimonthly consumption of 1,665 cubic feet is \$6.66. Under the rates proposed in the application, as amended, such charge would be \$11.99, an increase of 80 percent. Under the rates authorized hereinafter this charge would be \$8.63, an increase of 29.6 percent. No increase is sought by the application in the monthly flat rate of \$1.50 for hauled water, but the applicant will be authorized hereinafter to increase this charge to \$2.00 per month, an increase of 33-1/3 percent.

Earnings

Exhibit No. 4 is a report on applicant's results of operations in Morongo Valley for the year 1957 recorded and adjusted at present rates, and for the year 1958 estimated at present and proposed rates, submitted by its consulting engineering witness. Exhibit No. 9 (supra) is a report on applicant's results of operations in its Morongo Valley System for the year 1957 recorded, and for the year 1957 adjusted and the year 1958 estimated at present and proposed rates, submitted by Commission staff engineering and accounting witnesses.

The following tabulation summarizes the earnings' data contained in Exhibits Nos. 4 and 9:

SUMMARY OF EARNINGS

Item	Year 1957		Year 1958 Estimated			
	Recorded Per P.U.C. Ex. 9	Per Co. Ex. 4	Present Rates		Proposed Rates	
			Per P.U.C. Ex. 9	Per Co. Ex. 4	Per P.U.C. Ex. 9	Per Co. Ex. 4
Oper. Revenue	\$ 13,942	\$ 15,993	\$ 16,200	\$ 25,919	\$ 26,400	
Oper. & Maint. Exp.	9,317	9,744	9,395	9,744	9,395	
Adm. & Gen. Exp.	2,941	5,341	4,462	5,341	4,462	
Depreciation	3,762	4,889	4,762	4,889	4,762	
Taxes	507	347	(2,420)	1,022	3,080	
Total Oper. Exp.	\$ 16,527	\$ 20,321	\$ 16,199	\$ 20,996	\$ 21,699	
Net Oper. Revenue	(2,585)	(4,328)	1	4,923	4,701	
Rate Base	-	129,107	113,000	129,107	113,000	
Rate of Return	-	(3.35)%	0.00%	3.81%	4.16%	

(Red Figure)

Analysis of the earnings' data submitted by the applicant and the staff, hereinbefore shown, discloses no significant differences. Both utilized the 4-factor method of allocating indirect, over-all, company-wide administrative and general expenses, taxes and common capital, which 4-factor method was developed by the Commission staff and adopted by the Commission in Decision No. 56469, in Applications Nos. 38402 (applicant's Orange County Systems), 38441 (applicant's Westside System), and 38695 (applicant's three Los Angeles County systems). The total administrative and general expenses allocated to the Morongo system for the year 1958 amounted to \$4,097 in the Commission staff estimate.

Net additions by applicant to its Morongo Valley utility plant in 1957 amounted to \$34,276, and were estimated by the staff to amount to an additional \$24,500 in 1958. The bulk of the additions in 1957 occurred in Ac. No. 315, Wells, \$9,145; Ac. No. 324, Pumping Equipment, \$8,224; and Ac. No. 343, Transmission and Distribution Mains, \$10,668. For 1958, the major additions were estimated for

Ac. No. 324, Pumping Equipment, \$2,600; and Ac. No. 343, Transmission and Distribution Mains, \$18,900. The effects of all of such recorded and estimated net additions to plant were included by the staff in its estimated average depreciated rate base for the year 1958 in Exhibit No. 9 (supra).

Complaints of Customers

The majority of customers who attended the hearing and entered appearances complained of the magnitude of the proposed rate increase, especially in view of low water pressure, bad odor, and dirty water conditions in various sections of the two water systems in the Palms area and the town of Morongo.

Exhibit No. 11 is a statement filed by applicant, at the direction of the presiding examiner, regarding applicant's investigation into the complaints of Mesdames Martin and Schuburt, and Mr. English. Said exhibit shows that a flushing program has been initiated at Mrs. Martin's service and that the applicant has recommended that Mrs. Martin have her hot water tank drained at regular intervals pursuant to the tank manufacturer's recommendations in order to eliminate bad odor from the hot water. At the English property, the applicant found that the dirty water and bad odor were caused by the pumping of applicant's new well No. 2 which had not been sufficiently pumped into the open to clear the water prior to turning it into the distribution lines. The applicant indicated that it had instructed its local representative to eliminate these conditions by pumping the water into the open until it clears up. Mrs. Schuburt's complaint would be alleviated by the program initiated for the new well No. 2 heretofore discussed.

The applicant will be ordered hereinafter to place the 4,300 feet of 6-inch pipe between its well No. 2 and the tank in a trench under at least 30 inches of cover, since the Commission is

not satisfied with the opinion of the company that the exposed pipe is not detrimental either to the pipe or to service.

Findings and Conclusions

After a careful review of the record herein, the Commission finds as a fact that the applicant is in need of financial relief in the operation of its Morongo Valley system, and that the estimated rate of return for the year 1958, which would be produced by the present rates for water service, is deficient. It is further found as a fact that the rates for water service proposed in the application, and the increases over present rates which would result from the authorization of the proposed rates, are unreasonably high, particularly in view of the several and widespread deficiencies in water service reflected by the evidence of record. To grant the full increase requested by applicant would result in charging applicant's customers more than the value of the service and we hereby so find.

It is concluded that the application as amended should be granted in part and denied in part. The order hereinafter, therefore, will authorize applicant to file new schedules of rates for its Morongo system which will produce gross operating revenues of \$21,650, an increase of \$5,450 over the estimated revenues which would be produced at the present rates, or 33.64 percent. Such authorized new schedules of rates will include a 33-1/3 percent increase in rates for haulage water service although applicant made no such application therefor. We are of the opinion that the so-called haulage customers should bear their share of the burden of any increase in rates authorized to be applicable to applicant's general metered service customers.

The gross annual increase in rates for water service authorized herein is \$4,750 less than the gross annual increase requested by the company.

When the estimated gross operating revenues hereinbefore set forth are related to total estimated operating expenses for the year 1958, estimated net revenues of \$2,513 will result. Such net revenues, when related to an estimated depreciated rate base of \$113,000, will produce a rate of return of 2.22 percent. This rate of return and its components are found to be just and reasonable for this proceeding.

The Commission 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.

Staff Recommendations

Chapter 13 of Exhibit No. 9 contains five recommendations of the Commission staff which applicant should carry out, except item (d) which, the record shows, applicant has abandoned, and the order hereinafter will so provide. Also the applicant should correct the service deficiencies noted in paragraphs 3a, b, and c, and 10 of Chapter 12 of said exhibit. The correction of such deficiencies is covered by General Order No. 103.

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 as follows:

(1) That Pacific 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 five days' notice to the Commission and

to the public to make such rates effective for service rendered on and after February 15, 1959.

(2) That applicant shall, within ninety days after the effective date hereof and every ninety days thereafter for a period of one year, report to the Commission in writing the results of its programs initiated in Exhibit No. 11 to eliminate the service complaints investigated and reported on in said exhibit.

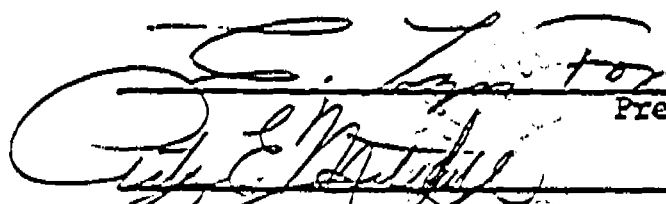
(3) That applicant shall place the 4300 feet of 6-inch pipe between its well No. 2 and the tank under at least 30 inches of cover and shall, within 180 days after the effective date hereof, report to the Commission its compliance herewith.

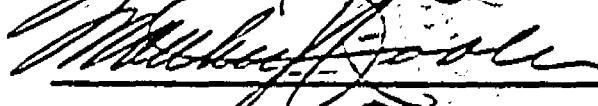
(4) That applicant shall carry out the recommendations, except item (d), contained in Chapter 13 of Exhibit No. 9 of the Commission staff and shall report, within ninety days after the effective date hereof and every ninety days thereafter for a period of one year, its compliance herewith.

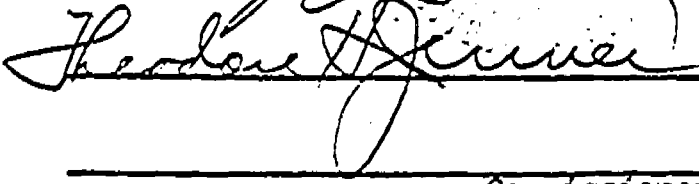
(5) That in all other respects the application be and it is denied.

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

Dated at San Francisco, California, this 13th day of January, 1959.



President




Commissioners

APPENDIX A

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Schedule No. MV-1

Morongo Valley Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Morongo Valley, and vicinity,
San Bernardino County.

RATES

Per Meter
Per Month

Quantity Rates:

First	750 cu. ft. or less	\$ 4.00
Next	4,250 cu. ft., per 100 cu. ft.38
Over	5,000 cu. ft., per 100 cu. ft.20

Minimum Charge:

For	5/8 x 3/4-inch meter	4.00
For	3/4-inch meter	5.00
For	1-inch meter	6.50
For	1 1/2-inch meter	13.50
For	2-inch meter	20.00

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

SPECIAL CONDITION

In the event a meter is not available when service under this
schedule is applied for, the proper size connection will be made and the
customer will be charged the minimum meter rate per month for the size
meter required.

APPENDIX A

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Schedule No. MV-2

Morongo Valley Tariff Area

HAULAGE FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water delivered from hydrants for domestic use.

TERRITORY

The unincorporated community of Morongo Valley, and vicinity, San Bernardino County.

RATE

Per Month

For water delivered from fire hydrants
for domestic use only, when hauled by
the customer \$ 2.00

SPECIAL CONDITIONS

1. Any customer desiring to obtain water deliveries under this schedule must obtain a written permit from the utility.
2. Service under this schedule will be furnished only from hydrants specified for haulage service.