

ORIGINAL

Decision No. 62547

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MALIBU WATER COMPANY, a corporation,
for authority for an increase in its
rates to offset cost of purchased
water.

Application No. 43579
(Filed June 30, 1961)
(Amended July 27, 1961)

Trippet, Yoakum & Ballantyne, by F. B. Yoakum, Jr.,
for applicant.
Donald B. Steger, for Commission's staff.

(For additional appearances, see Appendix A attached.)

INTERIM OPINION

Applicant is a California corporation in Los Angeles County furnishing water to approximately 1,900 commercial consumers situated along and near the Pacific Coast in a service area extending approximately 26 miles south and east from the Ventura County line.

By the application herein, it seeks a substantial rate increase to compensate for the cost of water it is purchasing from County Water Works District No. 29. It requests that this increase be retroactive to July 1, 1961.

A public hearing on the application was held before Examiner Kent C. Rogers in Malibu on August 10, 1961. Prior to said hearing notice thereof was published as required by this Commission.

The record shows that in normal times applicant's water supply is secured from wells; that the area from which it obtains its normal water supply has been in a prolonged drought cycle and many of its wells have been shut down; that in some wells which are still operating there are excessive chlorides and dissolved solids;

that the Department of Public Health of the State of California requested applicant to obtain an additional supply of water; and that, prior to July, 1961, it informed applicant that if the quality of the water is not promptly improved, it may order applicant to cease installing any new domestic services.

In order to meet the request and provide potable water, applicant has entered into a temporary arrangement with County Water Works District No. 29 to purchase water at the following rates:

Rate per 100 cubic feet of water per month:

| | |
|-----------------------------|---------|
| First 100,000 cubic feet | \$ 0.45 |
| Next 150,000 cubic feet | 0.43 |
| Next 200,000 cubic feet | 0.40 |
| Next 200,000 cubic feet | 0.38 |
| Next 200,000 cubic feet | 0.36 |
| All over 850,000 cubic feet | 0.35 |

The applicant estimates that during the period ending on or about July 1, 1962, it will be required to purchase 1,683,333 cubic feet of water per month and that the average cost thereof will be \$0.374 per 100 cubic feet, for a total average monthly cost to it of \$6,291.67 per month, resulting in an annual increase in expenses of \$69,900, after consideration of reduction in pumping expenses and increase in franchise taxes. The temporary supply is available through sale by the City of Los Angeles to District No. 29 at \$108 per acre-foot. The average price at which District No. 29 will sell water to the applicant is \$162 per acre-foot.

In order to meet this added cost it proposes to increase its rates as follows:

| | <u>Per meter per month</u> | |
|---|----------------------------------|------------------------------|
| | <u>Presently effective rates</u> | <u>Proposed offset rates</u> |
| Quantity rates: | | |
| First 500 cubic feet, or less | \$ 2.75 | \$ 3.80 |
| Next 1,500 cubic feet, per 100 cubic feet | .42 | .58 |
| Next 3,000 cubic feet, per 100 cubic feet | .36 | .50 |
| Over 5,000 cubic feet, per 100 cubic feet | .30 | .41 |
| Minimum charge: | | |
| For 5/8 x 3/4-inch meter | 2.75 | 3.80 |
| For 3/4-inch meter | 3.50 | 5.25 |
| For 1-inch meter | 5.00 | 8.00 |
| For 1½-inch meter | 8.00 | 15.00 |
| For 2-inch meter | 12.00 | 22.00 |
| For 3-inch meter | 25.00 | 40.00 |
| For 4-inch meter | 50.00 | 60.00 |

Adjusting applicant's expenses to give effect to the added cost of water, applicant's estimated results of operation at present and proposed rates based on the 12 months ended April 30, 1961, are as follows:

| | Per books adjusted in accordance with adjustments adopted in <u>D. 51794</u> | Pro forma to show effect of increased costs of purchased <u>water</u> | Pro forma to show effect of proposed rate <u>increase</u> |
|---------------------------------------|---|---|---|
| Operating revenues | \$186,266 | \$186,266 | \$256,900 |
| Operating expenses: | | | |
| Maintenance and operating expenses | 109,680 | 179,594 | 179,594 |
| Uncollectibles: | | | |
| Depreciation expense | 20,890 | 20,890 | 20,890 |
| Taxes | <u>32,616</u> | <u>16,939</u> | <u>33,416</u> |
| | <u>163,186</u> | <u>217,423</u> | <u>233,900</u> |
| Net income (loss) | \$ 23,080 | <u>(\$ 31,157)</u> | \$ 23,000 |
| Average depreciated rate base | \$506,670 | \$506,670 | \$506,670 |
| Rate of return | 4.56% | - | 4.54% |

Red Figure

A staff engineer studied the matter and made a report thereon (Exhibit No. 2). He reports that the requested increase in rates is temporary since a permanent supply of water from the Metropolitan Water District at a lower unit cost is scheduled for July, 1962; that the commercial water supply in the past has been produced from wells and that the supply is critically low due to prolonged dry weather cycles; that applicant has been forced to cease pumping some of its wells, and that some of the wells have water containing excessive chlorides and total dissolved solids. The engineer states that during the 12-month period ended April 1961, at present rates, utilizing cost of water purchased from County Water Works District No. 29, applicant would have operated at a loss and that at the proposed rates, applicant would have a rate of return of 4.54%.

The engineer further stated that these results reasonably present the utility's operations under the conditions stated. He said that several wells previously used for producing water for the utility's customers can no longer be used; that the utility presently serves approximately 1,900 commercial customers located within a narrow strip throughout 26 miles of beach near Malibu; that water was previously produced in several locations throughout the area and many of these wells are no longer in use due to lack of water or because the water now contains excessive mineral constituents; that the utility has constructed, at its own cost, a transmission pipeline from the County Water Works District facilities and is presently receiving 200 gpm average daily flow from this source; that it intends in the very near future to increase the quantity of water from this source, at its own expense, to 300 gpm average daily flow; that Los Angeles County Water Works District No. 29 has water of satisfactory quality available and is willing to supply 300 gpm average daily flow to the utility on a temporary basis for this 12-month period, and, that utilizing this quantity of water blended with the water produced from the remaining company wells, will supply an acceptable quality of water to the customers.

Approximately 24 individuals appeared for themselves or various organizations of property owners. The majority opposed the increase on the basis that the water in a great portion of the service area is, in their opinion, still unusable and unfit for human consumption. With one or two exceptions, the consensus appeared to be that if the water were good there would be no objection to the

cost thereof. One or two of the appearing parties took the view that everything possible should be done to improve the water and that the proposed increase is justified. One customer appearing for a group urged that the present rates were sufficient to permit the applicant to purchase the water and still maintain the service.

We have considered the entire record in this matter, including the report of the staff and the verified application and amendment, and find that the proposed increases in rates and charges as hereinbefore described are justified until applicant is able to secure water from the Metropolitan Water District commencing in approximately July, 1962. We further find that the present rates and charges, insofar as they differ from those herein prescribed, are for the future, until approximately July, 1962, unjust and unreasonable. We further find that the increased rates should not be retroactive, but should only be in effect between the effective date of the increased rates as authorized by this order and the said time water becomes available from the Metropolitan Water District at which time a further determination will be made for the purpose of adjusting the rates to allow a reasonable allowance on the then determined cost of water. When the time of availability and cost of the permanent Metropolitan Water District supply are known, the applicant shall be prepared to proceed before this Commission with a full showing as to the rates to be charged.

INTERIM ORDER

An application as above-entitled having been filed, a public hearing having been held thereon, the Commission having made the foregoing findings and based on said findings,

IT IS HEREBY ORDERED that:

1. Malibu Water Company, a corporation, be and it is authorized to file in quadruplicate with the Commission, after the effective date of this order and in conformance with General Order No. 96, the schedule of rates shown in Appendix B attached hereto, and upon not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on and after September 25, 1961.

2. Applicant shall report to the Commission monthly, in writing, beginning in September 1961 and continuing throughout the period during which the water is purchased on a temporary basis from County Water Works District No. 29, the quantity of water purchased therefrom, the amount to be paid for said purchased water, the quantity of water produced from each of its own sources of supply, and the results of tests of the mineral quality of water from each of these two principal sources of supply.

3. Applicant shall inform the Commission in writing as follows:

- (a) Of the estimated date of connection to the permanent Metropolitan Water District supply and of the proposed basis of charges for water purchased from said agency, within ten days after the effective date of this order.
- (b) Of any change in the estimated date of connection to the permanent Metropolitan Water District supply and of any change in the basis of charges for water purchased from said agency, within ten days thereafter.

(c) Of any change in the basis of charges for water purchased on a temporary basis from County Water Works District No. 29, within ten days thereafter.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 12th day of SEPTEMBER, 1961.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Appendix A

APPEARANCES

Protestants:

Mrs. Dennis Harrison, in propria persona.
E. Boyd, for Point Dume.
W. E. Melber, in propria persona.
Dr. Karleen A. Nash, in propria persona.
Lucy Parnell, in propria persona.
Vida Kessler, in propria persona.
Hugo Freed, for Arthur Freed and in propria persona.
Mrs. Betty Jo Duquette, in propria persona.
Allan I. Benson, for Sycamore Park Property Owners
Association.
Jess Asner, in propria persona.
John C. McKeown, for The Zuma Mesa Property Owners
Association.
Frederick D. Renoff, for Sea Vista Drive: Property
Owners Association.
Richard L. Mason, for Malibu Topanga Civic Association.
Hayden E. Gallagher, in propria persona.

Interested Parties:

Mrs. Ann Crawford.
Frank Lynn Stell.
Mrs. Antoinette Rowe.
R. S. Rowe.
Omar F. Gaylord.
Mrs. L. R. Titus.
Mrs. G. L. King, for Malibu La Costa Owners Association.
Roy W. McHenry, for Zuma Canyon Property Owners
Association.
Mrs. Lionel W. Pierce.
Jack O. Sanders, for H. Zinder & Associates, Inc.

Appendix B

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area adjacent to the Pacific Coast known as Rancho Topanga Malibu Sequit, and vicinity, Los Angeles County.

RATES

| Quantity Rates: | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| First 500 cu. ft. or less | \$ 3.80 |
| Next 1,500 cu. ft., per 100 cu. ft. | .58 |
| Next 3,000 cu. ft., per 100 cu. ft. | .50 |
| Over 5,000 cu. ft., per 100 cu. ft. | .41 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 3.80 |
| For 3/4-inch meter | 5.25 |
| For 1-inch meter | 8.00 |
| For 1 1/2-inch meter | 15.00 |
| For 2-inch meter | 22.00 |
| For 3-inch meter | 40.00 |
| For 4-inch meter | 60.00 |

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

SPECIAL CONDITION

The Company reserves the right to prohibit the use of water under this schedule for the irrigation of crops, the products of which are intended for sale or disposal off the premises.