

ORIGINAL

65699

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Alfred C. and Ollie M. Dysart (dba Mountain Water Company) under Section 1001 of the Public Utilities Code, for authority to extend its service area to include certain portions in the west half of Section 6, Township 3 South, Range 1 East, San Bernardino Base and Meridian, Riverside County.

Application No. 45062 (Amended)

Application of Alfred C. and Ollie M. Dysart (dba Mountain Water Company) under Section 454 of the Public Utilities Code for authority to increase its public utility water rates.

Application No. 45063 (Amended)

- Alfred C. Dysart, for applicant.
- Donald D. Stark, of Clayson, Stark, Rothrock & Mann, for Banning Water Company, Protestant in Application No. 45062 and Interested Party in Application No. 45063.
- James L. Walker, for Beaumont Irrigation District, Interested Party.
- A. L. Gielegem and D. B. Steger, for Commission staff.

O P I N I O N

These applications were both filed on December 26, 1962, and amendments to each were filed on January 7, 1963. Public hearing on the two applications, on a consolidated record, was held before Examiner Patterson in Banning on May 8, 1963, and the matters were submitted subject to the receipt of late-filed Exhibits 24 and 25, and statements of position to be filed not later than May 20, 1963. Said exhibits and statements have been received.

Applicants presently provide public utility water service to the Dysart ranch and to approximately 12 acres in the City of Banning, including a 38-lot subdivision, by authority of a certificate of public convenience and necessity granted by Decision No. 61651 dated March 14, 1961, in Application No. 42471. Said area is located within the west half of Section 6, Township 3 South, Range 1 East, San Bernardino Base and Meridian, Riverside County.

By Application No. 45062 applicants request authority to extend their service area so as to include the entire west half of said Section 6. All of the area for which a certificate is being sought is part of ranch and farming properties owned and operated by Alfred C. and Ollie M. Dysart, husband and wife, who operate Mountain Water Company as a partnership.

Under applicants' plan of development, Parcel 1 consisting of 6 acres south and adjacent to the presently certificated area has been subdivided and all improvements have been installed including the water mains. This subdivision contains 18 lots and, according to applicants, is in immediate need of water service. Parcel 2 consisting of approximately 62 acres adjacent to and east of the present service area will be ready for development in about two years and at the present rate of growth will not be fully developed for over 20 years. Thereafter applicants plan to extend the system to the north into Parcel 3 which consists of approximately 245 acres.

Applicants presented estimated costs of installing mains, services and meters, additional storage capacity and an additional

well but did not present an estimate of total costs for full development of the requested area. Under applicants' plans, however, additional storage capacity would be added before the total number of customers reaches approximately 70 and an additional well would be drilled before the number of customers reaches approximately 150.

The present production and storage system is comprised of Supply No. 1, located at the north end of the certificated area, consisting of a well and a pump which delivers 13 gallons per minute into four storage tanks having a total capacity of 35,000 gallons. Water is delivered into the system from these tanks as required by two booster pumps having capacities of 10 and 250 gallons per minute respectively. Supply No. 2 consists of one well equipped with two 20-horsepower submersible pumps having a combined capacity of 221 gallons per minute which deliver water into the south end of the system through a hydro-pneumatic tank. Under this arrangement the storage tanks cannot be filled from Supply No. 2. The total supply of both sources is about 481 gallons per minute, which can be maintained for about 2-1/2 hours until the storage tanks are drained, with the result that total capacity then drops to about 231 gallons per minute.

With respect to development in the existing service area, Mr. Dysart testified that at the time of the hearing only 5 lots remained unsold in the original subdivision and on two of these lots houses were already under construction. He stated that, in general, subdivision and home construction would be accomplished in the expanded area by his son-in-law, who would

purchase the land from him as needed.

Mr. Dysart testified that he would prefer to finance the enlargement of the Mountain Water system through proprietary advances but stated he would be willing to follow the Main Extension Rule procedures of securing advances from the subdivider if so required.

With respect to applicants' financial position and ability to provide funds for the development of the area, Exhibits 20 and 21, attached to the certificate application, show a net worth of more than \$1,500,000 of which nearly \$1,300,000 is attributable to 1,291 acres of farm and ranch land which is available for subdivision. According to the record, applicants presently have available as a source of funds for water system improvements, \$170,000 as the proceeds of a sale of 85 acres of this land.

Banning Water Company protested the granting of a certificate for expansion of the Mountain Water Company system asserting that the water utility operations of the Dysarts are merely incidental to inter-family land development schemes and that such utility operations would be uneconomical. Banning Water Company further asserted that it stands ready and willing to extend water service immediately to the areas in question. To this end Banning Water Company presented by late-filed Exhibit 25 a resolution by its Board of Directors adopted May 13, 1963, offering to extend service by increments to the various parcels under consideration. Mr. Dysart, by his testimony, indicated that he would be willing to consider any reasonable offer

which might be made by the Banning Water Company, but he urged that consideration of the instant application not be held in abeyance pending consideration of any offer which might be made.

A report on applicants' operations made by the Commission staff was received in the proceeding as Exhibit 22. This report contains a financial analysis and review of applicants' financial responsibility indicating excellent credit standing and borrowing capacity which, combined with the stated assets, should provide all funds reasonably required for expansion of the water system. The Finance and Accounts Division representative recommended that applicants be required to follow a financing plan so as to limit combined debt and liability under advances to 50 percent of total capitalization, with the remainder to be provided by equity capital in the form of proprietary investment. This recommendation is based on the desirability of maintaining a substantial equity position as a cushion against initial operating losses and for preserving borrowing capacity for future capital needs.

The staff report also contains a section prepared by a Utilities Division engineer as to the adequacy of applicants' facilities and plans for expansion to provide service in the new areas. His analysis indicates that applicants are providing excellent service under existing conditions and that the present production and storage facilities will provide adequate domestic water service for approximately 80 normal residential metered customers, excluding fire flow and ranch requirements. He recommended that when the number of customers exceeds 70, there should be installed additional effective storage capacity connected to

the distribution system so as to store water supplied by Source of Supply No. 2. He also recommended that certification for service to additional areas should be limited to Parcels 1 and 2 at the present time.

Applicants' presently effective rates were authorized by Decision No. 61651, supra, at the time a certificate was granted to serve the original area. Since that time, according to the record, applicants have sustained operating losses which, as of December 31, 1962, totaled about \$2,182, including depreciation expenses of \$1,867.

By Application No. 45063 applicants request authority to increase their rates for general metered service up to the same level as the rates charged by the Banning Water Company in adjacent territory. The rates proposed are set forth in the amendment to the application.

According to applicants' showing, as of December 1, 1962, they had 22 customers. As of the year 1964, they expect to have an average of 36 active meters and at present rates they estimate a net revenue loss in that year of approximately \$875, whereas at proposed rates they would realize a net revenue profit of approximately \$11.

In Exhibit 22 the staff estimated a net revenue loss for the year 1964 of \$1,350 at present rates and a net revenue loss of \$570 at proposed rates. A comparison of applicants' and the staff's estimates at proposed rates for the year 1964 as set forth in Exhibit 23 follows:

COMPARISON OF APPLICANTS AND STAFF RESULTS
 TEST YEAR 1964 ESTIMATED AT PROPOSED RATES

Item	Applicants	Staff
Operating Revenue	\$ 3,864	\$ 3,640
Total Oper. & Maint. Expense	2,096	2,370
Taxes	576	570
Depreciation Expense	1,181	1,270
Total Expenses	3,853	4,210
Net Revenue	11	(570)
Average Depreciated Rate Base	57,657	49,670
Rate of Return	-	-

The staff estimate is based on an average of 33 customers for the year 1964. Development of the staff rate base reflects a deduction of \$10,320 for estimated construction advances required for all mains, services, and hydrants to be installed in subdivisions for all of Parcel 1 and a portion of Parcel 2.

The staff engineer recommended that meters should be installed on services to the ranch operations and bills for service thereunder should be rendered in accordance with the filed tariffs.

Under the rates as proposed, a customer with an average monthly water consumption of 3,000 cubic feet would have his bill

increased from \$6.06 to \$7.96.

Based upon the record the Commission finds as follows:

1. A need exists, or will exist in the near future, for water service in Parcels 1 and 2.
2. A need for water service in Parcel 3 does not now exist, nor will it exist in the near future.
3. Applicants have the ability to finance, construct, and operate the expansion of their water system necessary to provide service in Parcels 1 and 2.
4. The evidence fails to show that the Dysarts' land development activities will impede or jeopardize operation of the Mountain Water Company public utility water system.
5. The evidence fails to show that the Banning Water Company Company's offer as contained in Exhibit 25 would result in better service for the area to be certificated.
6. Public convenience and necessity require that applicants be granted authority to extend their service area and their public utility water system so as to provide service to Parcels 1 and 2 as delineated on Exhibit 1 attached to Application No. 45062.
7. Applicants violated the restriction imposed by Decision No. 61651 against extending their water system outside the certificated area.
8. The revenues obtainable from applicants' present rates are deficient.
9. The estimates of operating revenues, expenses, including taxes and depreciation and rate base developed by the staff for the year 1964, are reasonable and should be adopted for the purpose of this proceeding.

10. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

11. The staff recommendations concerning limiting combined debt and liability under advances to 50 percent of total capitalization, the handling of all extensions of distribution mains in conformity with the main extension rule, the installation of meters on services to the ranch, and installation of additional storage capacity before the number of customers exceeds 70 are reasonable and should be adopted.

From the foregoing findings, we conclude that:

(1) Applicants are entitled to rate relief as requested.

(2) Applicants' request for a certificate of public convenience and necessity should be granted to the extent and in the manner set forth in the ensuing order.

The certificate of public convenience and necessity granted herein shall be 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.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Alfred C. and Ollie M. Dysart to extend their service area and public utility water system so as to provide service to Parcels

1 and 2 as delineated on Exhibit 1 attached to Application No. 45062.

2. Applicants shall not extend their water system beyond the boundaries of their certificated area without further order of the Commission.

3. Applicants shall apply the provisions of the main extension rule for all extensions of their distribution mains.

4. Applicants shall so finance their expansion that combined debt and liability under advances will not exceed 50 percent of total capitalization.

5. Applicants shall, when the number of customers exceeds 70, have installed additional effective storage capacity connected to the distribution system in such a manner as to store water supplied by Source of Supply No. 2. Applicants shall notify the Commission, in writing, of compliance with this requirement within ten days thereafter.

6. Applicants shall install meters on the services to the ranch and render bills thereon in conformity with their filed tariffs.

7. In all other respects Application No. 45062 is denied.

8. Applicants are authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after August 16, 1963. ✓

9. Within sixty days after the effective date of this order, applicants shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 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 the various water system properties of applicants.

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

Dated at San Francisco, California, this 9th day of JULY, 1963.

William W. Dwyer
President

George S. Grover
Commissioner

Frederick B. Hallock
Commissioner

~~Commissioner George S. Grover did not participate in the disposition of this proceeding.~~

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service. (T)

TERRITORY

Portions of Banning, and vicinity, Riverside County. (T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 700 cu.ft. or less	\$ 2.25	(I)
Next 1,300 cu.ft., per 100 cu.ft.27	
Next 3,000 cu.ft., per 100 cu.ft.22	
Next 5,000 cu.ft., per 100 cu.ft.20	
Next 10,000 cu.ft., per 100 cu.ft.15	
Over 20,000 cu.ft., per 100 cu.ft.10	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 2.25	
For 3/4-inch meter.	3.50	
For 1-inch meter.	5.00	
For 1 1/2-inch meter.	7.50	(N)
For 2-inch meter.	10.00	
For 3-inch meter.	15.00	
For 4-inch meter.	25.00	
For 6-inch meter.	50.00	
For 8-inch meter.	75.00	(N)

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