

**ORIGINAL**

Decision No. 66869

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ANTELOPE VALLEY WATER CO., for an )  
increase in rates for water service )  
in its Los Angeles County and Kern )  
County service areas. )

Application No. 45612  
Filed July 22, 1963

William N. Taylor and Loren W. East, for  
applicant.  
Mrs. Michael F. Citro, for residents of  
North Edwards, and Mrs. Marvin Garlinger  
and Curtis O. Minor, in propria personae,  
protestants.  
Alfred W. Johnson, interested party.  
Casimir Strelinski and Chester Newman, for  
the Commission staff.

O P I N I O N

Antelope Valley Water Co. seeks authority to increase its rates for water service in its Los Angeles County and Kern County service areas by a gross annual amount of approximately \$13,500 based on estimated operations for the test year 1963.

Public hearings were held before Examiner Warner on November 26 at Lancaster and on November 27, 1963 at North Edwards. The matter was submitted subject to the receipt of late-filed Exhibit No. 6 from the Commission staff and of customers' letters on or before December 9, 1963. Two such letters have been received and are hereby made a part of the record. The matter is ready for decision.

Protestants from North Edwards complained of occasional low water pressure and water service interruptions when they were unable to contact applicant's manager, either to inform him of the interruption or to seek restoration of service.

Applicant furnishes water service in four service areas in its Inyokern Tariff Area designated as its Area B, near Ridgecrest, Area B-2, Carlsberg Area at North Edwards, and Area B-5, north of Mojave along U. S. Highway 6, all in Kern County, and in its Lancaster Tariff Area in its Area A, west of Lancaster, in Los Angeles County, in its Area B-3 in Kern County, near Willow Springs west of Rosamond, and in its Leona Valley Area in Los Angeles County, also west of Lancaster, all as shown on the location map included in Exhibit No. 1. Applicant is certificated to furnish service in its so-called Morse Area, west of Rosamond, and in its Area C, but no water service is furnished therein. The following tabulation shows the number of customers as of October 31, 1963, and the number of lots in each area:

<u>Area</u>	<u>Customers</u>	<u>Lots</u>
B	17	134
B-2	84	408
Carlsberg	26	204
B-5	<u>12</u>	<u>206</u>
Total Inyokern Tariff Area .....	139	952
A	48	81
B-3	4	44
Leona Valley	186	Acreage Resubdivided
C	0	37
Morse	<u>0</u>	<u>0</u>
Total Lancaster Tariff Area .....	238	162
Entire Company	377	1,114

William N. Taylor is president and his wife is secretary. They manage and operate applicant and are its principal stockholders.

They are also the principals of William N. Taylor, Inc., a pipeline construction company, which has installed some of applicant's water system and does pipeline construction work for others in Southern California. Applicant's office is located in Lancaster. Its operations extend 60 miles north of Lancaster and 15 miles west thereof in its nine noncontiguous water systems.

The record shows that the Leona Valley system was formerly operated as a mutual water system and when operations of the mutual deteriorated, its members sought service by applicant and service has improved. The record further shows that growth in the Inyokern Tariff Area and in the Lancaster Tariff Area, except Leona Valley, has been affected by the cutting back of aircraft facilities in the Palmdale Area and in other parts of the Mojave Desert by the United States Defense Department. The results have been that applicant's water systems, which were extended into subdivisions based on anticipated growth, are now serving areas of low customer saturation.

Applicant alleges that the additional revenue on an annual basis resulting from the proposed rates is necessary to allow it to earn a profit and to alleviate the losses now being incurred.

The following tabulation is a comparison of applicant's present and proposed rates.

COMPARISON OF PRESENT AND PROPOSED RATES

Quantity Rates:	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
<u>Inyokern Tariff Area</u>		
First 600 cu. ft. or less.....	\$3.00	
Next 1,000 cu. ft., per 100 cu. ft.....	.30	
Next 1,400 cu. ft., per 100 cu. ft.....	.25	
Next 2,000 cu. ft., per 100 cu. ft.....	.20	
Over 5,000 cu. ft., per 100 cu. ft.....	.15	
First 500 cu. ft. or less.....		\$3.50
Next 1,000 cu. ft., per 100 cu. ft.....		.40
Next 1,500 cu. ft., per 100 cu. ft.....		.35
Next 7,000 cu. ft., per 100 cu. ft.....		.25
Over 10,000 cu. ft., per 100 cu. ft.....		.20
<u>Lancaster Tariff Area</u>		
First 1,000 cu. ft. or less.....	\$2.50	
Next 4,000 cu. ft., per 100 cu. ft.....	.15	
Next 5,000 cu. ft., per 100 cu. ft.....	.10	
Over 10,000 cu. ft., per 100 cu. ft.....	.075	
First 500 cu. ft. or less.....		\$3.00
Next 1,000 cu. ft., per 100 cu. ft.....		.35
Next 1,500 cu. ft., per 100 cu. ft.....		.30
Next 7,000 cu. ft., per 100 cu. ft.....		.20
Over 10,000 cu. ft., per 100 cu. ft.....		.15

The record shows that the average monthly water consumption in the Inyokern Tariff Area is approximately 1,700 cubic feet. At the present rates, the charge for such consumption is \$6.25. At the proposed rates, it would be \$8.20, an increase of 31 per cent. In the Lancaster Tariff Area, the average monthly consumption is 2,500 cubic feet. At the present rates, the charge for such consumption is \$4.75. At the proposed rates, it would be \$9.50, an increase of 100 per cent.

Exhibit No. 1 is a report, submitted by applicant's consulting engineer, on its operations for the year 1962 recorded, the year 1962 adjusted, the year 1963 estimated at present rates, and

the test year 1963 estimated at present and proposed rates. Exhibit No. 2 is a report, submitted by a Commission staff accountant and a Commission staff engineer, on applicant's operations for the year 1962 adjusted and for the year 1963 estimated. The earnings data contained in Exhibits Nos. 1 and 2 are summarized as follows:

## SUMMARY OF EARNINGS

Item	Year 1962		Test Year 1963 Estimated		
	Recorded	Per Co.	Present Rates	Proposed Rates	Per PUC
	Exh. 1	Exh. 1	Exh. 2	Exh. 1	Exh. 2
Operating Revenues	\$ 21,206	\$ 22,670	\$ 22,640	\$ 36,100	\$ 36,190
Operating Expenses	8,803	15,170	15,320	15,170	15,320
Depreciation	12,588	5,380	7,140	5,380	7,140
Taxes	5,558	2,950	3,870	6,730	7,130
Subtotal	26,949	23,500	26,330	27,280	29,590
Net Revenue	(5,743)	(830)	(3,690)	8,820	6,600
Rate Base	328,485	184,250	215,230	184,250	215,230
Rate of Return	(1.75)%	(0.45)%	(1.71)%	4.79%	3.07%

(Red Figure)

Applicant's estimates for the test year 1963 were determined from a study of the operations of the Leona Valley system. Leona Valley estimated expenses were reduced to an average cost per customer and then applied to the other areas for the reason that Leona Valley has the greatest number of customers of any of the systems and has the highest customer density, resulting in the lowest unit costs of operation. Power costs were applied only partially on the unit cost basis. Area A power costs were computed on the basis of electric energy required to pump the estimated water required for Area A plus Area B-3. Leona Valley power costs were computed on the basis of the water required to be pumped in that area. Areas B, B-2, B-5, and Carlsberg power costs were based on

the computed Leona Valley average power costs. In general, applicant's test year expense estimates have the effect of concentrating the operations and customers into a system with the characteristics of the Leona Valley area.

Applicant's depreciation expense estimate was based on the average depreciation expense per customer for Leona Valley applied to the total number of customers estimated for 1963; test year ad valorem taxes for all operating areas were computed on the basis of the average tax per customer estimated for Leona Valley; payroll taxes and state corporation franchise taxes were prorated to all operating areas on the basis of customers; estimated rate base for the test year was based on the average rate base per customer computed for Leona Valley and applied to the entire company. The operations for Area C and for the Morse Area were eliminated from estimates for the test year 1963.

Staff estimates of revenues and of power for pumping expense reflect adjustments for normal rainfall and temperature conditions; utility plant, depreciation reserve, and certain expenses reflect the saturation of active customers compared with the number of lots subdivided; operating, maintenance, and general expenses were adjusted to reflect reasonable water works practices; and the latest known tax rates and assessment ratios were utilized by the staff.

Despite differences in approach, i.e., applicant's use of Leona Valley operations, generally, as a basis for estimating system-wide operations, and the staff's use of a saturation adjustment to estimate expenses and to arrive at its rate base, the differences between estimates of applicant's operations for the test

year 1963 at both present and proposed rates submitted by applicant and the staff are nominal.

Although Table 2-E of Exhibit No. 2 indicates that the Inyokern Tariff Area, on a per customer basis, yields about 25 per cent more revenue than the Lancaster Tariff Area, the average power costs per customer, as shown in paragraph 25 of Chapter 2 of said exhibit, are nearly the same. In view of this condition, a staff accountant suggested that the Commission might wish to consider a single uniform tariff for the entire company.

The record shows that some customers have experienced difficulty in contacting applicant's managers regarding service problems. The record also shows that: water pressures at the extremities of both the northside and southside distribution mains of the Leona Valley distribution system were below the minimum prescribed by General Order No. 103 at the time inspections were made by a staff engineer; this condition existed when the present owners took over the Leona Valley system prior to certification in December, 1960; many improvements in source of supply, storage, and distribution facilities have been added to the Leona Valley system by applicant; and further main replacements are planned in the future as funds become available.

Based upon consideration of the record, the Commission finds that:

1. Antelope Valley Water Co. is a public utility water corporation under the jurisdiction of this Commission furnishing water service in nine noncontiguous water systems pursuant to its presently filed Inyokern and Lancaster tariffs; such systems are widely scattered; and customer density is low.

2. Applicant's presently filed tariffs produce operating revenues which have been and are insufficient; applicant has been and is sustaining annual operating losses; and applicant is in need of financial relief.

3. The rate of return which would be realized from the gross revenues produced by applicant's proposed rates is reasonable based upon the estimates of the staff for the test year 1963, which we, also, find to be reasonable.

4. To authorize a single uniform tariff for the entire company would unreasonably burden applicant's present Lancaster Tariff Area customers in order to effect the overall rate of return found to be reasonable.

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

6.a. Applicant does not provide adequate communication facilities between its service areas and its managers.

b. Certain water pressures at the extremities of applicant's Leona Valley system do not meet minimum standards as prescribed by General Order No. 103.

Based on the foregoing findings, the Commission concludes that:

1. The application of Antelope Valley Water Co. to increase its rates charged for water service should be granted.



2. A single uniform tariff for the entire company should not be authorized at this time.

3. Applicant should provide adequate communication facilities between its service areas and its managers.

4. Applicant should plan to improve its water service in Leona Valley.

O R D E R

IT IS ORDERED that:

1.a. After the effective date of this order, applicant Antelope Valley Water Co. is authorized to file with this Commission the revised schedules of rates set forth in Appendix A to this order. Such filing of revised rates shall comply with General Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after <sup>April 1</sup> ~~March 16~~ 1964, or on and after the fourth day following the date of filing, whichever is later. *UMP 7/1/64*

b. Concurrently therewith, applicant shall file with the Commission, in conformity with General Order No. 96-A, four copies of a revised tariff area location map, similar to that included in Exhibit No. 1, such map to become effective upon the fourth day following the date of filing.

2. Within sixty days after the effective date hereof, applicant 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 applicant.

3. Within sixty days after the effective date hereof, applicant shall establish adequate communication facilities between its service areas and its managers and, within ten days thereafter, shall notify the Commission, in writing, of its compliance herewith.

4. Within ninety days after the effective date hereof, applicant shall furnish the Commission, in writing, a plan for improving its water service in Leona Valley. Such plan shall include estimated costs and probable dates of completion.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of February, 1964.

*William L. Bonds*  
 President

*City of Mitchell*

*George H. Crow*

*George H. Crow*

*Fredrick B. Holhoff*  
 Commissioners

APPENDIX A  
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Schedule No. KN-1

Inyokern Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Area B located two miles east of Inyokern, Area B-2 and Carlsberg Area located 19 miles east of Mojave, and Area B-5 located six miles northeast of Mojave, Kern County.

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RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu.ft. or less .....	\$ 3.50	(I)   (I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.40	
Next 1,500 cu.ft., per 100 cu.ft. ....	.35	
Next 7,000 cu.ft., per 100 cu.ft. ....	.25	
Over 10,000 cu.ft., per 100 cu.ft. ....	.20	
 Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 3.50	
For 3/4-inch meter .....	4.50	
For 1-inch meter .....	6.50	
For 1 1/2-inch meter .....	9.00	
For 2-inch meter .....	12.00	

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

APPENDIX A  
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Schedule No. LN-1

Lancaster Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Area A located four miles southwest of Lancaster, Leona Valley located 15 miles west of Lancaster and Area C located 10 miles north-east of Lancaster, Los Angeles County; Area B-3 and Morse Area located nine miles west of Rosamond, Kern County.

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RATES

Quantity Rates: Per Meter  
Per Month

First	500 cu.ft. or less .....	\$ 3.00	(I)
Next	1,000 cu.ft., per 100 cu.ft. ....	.35	
Next	1,500 cu.ft., per 100 cu.ft. ....	.30	
Next	7,000 cu.ft., per 100 cu.ft. ....	.20	
Over	10,000 cu.ft., per 100 cu.ft. ....	.15	

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 3.00	
For	3/4-inch meter .....	4.00	
For	1-inch meter .....	6.00	
For	1 1/2-inch meter .....	9.00	(I)
For	2-inch meter .....	12.00	

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

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