

ORIGINAL

Decision No. 68981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GOLCONDA UTILITIES)
COMPANY, a corporation, for itself)
and as operator of HINKLEY VALLEY)
WATER COMPANY, for emergency authority)
to establish new rates.)

Application No. 47259
(Filed January 15, 1965)

W. Paul Payne, for Golconda Utilities Company,
applicant.
Ashley L. Bishop, for Kentwood in the Pines
Community Association, protestant.
Raymond E. Heytens, for the Commission staff.

INTERIM OPINION

Applicant Golconda Utilities Company requests, among other things, that it be granted emergency water rate increases in its various service areas in Inyo, San Bernardino and San Diego Counties. In its pleading, applicant asked that such increases be granted ex parte. Decision No. 68672, dated March 2, 1965, denied ex parte relief but set the matter for a preliminary hearing, the scope of which was limited to the presentation of evidence as to what extent, if any, based solely on financial requirements, applicant should be granted interim rate increases to avoid deterioration of service to the public pending final disposition of the application.

The preliminary public hearing was held before Examiner Catey in Los Angeles on March 24, 1965. Copies of the application and the order setting preliminary hearing had been served in accordance with this Commission's rules of procedure. The matter of interim rate relief was submitted at the conclusion of the

hearing. The hearing was adjourned to a time and place to be set for receipt of evidence as to the appropriate level of rates to be established upon final disposition of the application.

At the preliminary hearing, testimony on behalf of applicant was presented by its president. A Commission staff accountant presented a preliminary report.

Keeler Area

Applicant serves an area in the unincorporated community of Keeler, Inyo County, as a result of its acquisition from W. Paul Payne of the water system known as A. T. Smith Water Company, pursuant to the authority granted by Decision No. 67347, dated June 10, 1964, in Application No. 45772. Applicant's Exhibit No. 1 indicates that the number of customers is 29, annual revenues are \$1,588, annual cash expenditures for operating expenses and taxes are \$1,683, and annual net interest payments are \$231.

Applicant's president estimates that the interim rates he now proposes in Exhibits Nos. 2 and 3 would increase revenues about 82 percent, as compared with the 165 percent increase which ultimately would result from the rates requested in the application. From Exhibit No. 1, however, an increase of about 20 percent in revenues would offset the cash deficit from operations and pay interest chargeable against the system. A 20 percent interim increase will be authorized for the Keeler area.

Hinkley Valley Area

Decision No. 67347 authorized Robert J. Erwin and Forrest J. Wood to transfer to applicant the water system known as Hinkley Valley Water Company, serving an area about ten miles east of Barstow in San Bernardino County. That authority has not yet

been exercised, but applicant's president testified that applicant is operating the system. Applicant does not have any agreement providing for it to so operate on behalf of the owners. Unless and until applicant acquires this system, or is authorized to represent the owners, no consideration can be given to the portion of this application dealing with Hinkley Valley area rates. Even if the transfer had been effected, no interim rate increase would be appropriate, because Exhibit No. 1 shows that annual operating revenues exceed annual cash operating expenditures and interest by \$430.

Calvert and Hinkley Areas

Decision No. 67347 granted applicant a certificated area which includes two small parcels which had already been served by applicant without Commission authorization. Those parcels, designated herein as the Calvert and Hinkley areas, are within three miles of the Hinkley Valley Water Company area. Exhibit No. 1 indicates that, for the two areas, the number of customers is seven, annual revenues are \$484, annual cash expenditures for operating expenses and taxes are \$903, and annual net interest payments are \$29.

Applicant's president estimates that the interim rates he now proposes in Exhibit No. 4 would increase revenues about 44 percent, as compared with the 88 percent increase which ultimately would result from the rates requested in the application. Based upon Exhibit No. 1, an increase of about 92 percent would be required to offset the cash deficit from operations and pay interest chargeable against the systems.

The water rates authorized by this Commission for a new utility operating during the early development period

typically are based to a large extent upon the rates charged by established utilities serving nearby areas. The rates authorized by Decision No. 67347 for the Calvert and Hinkley areas are identical with those of the nearby Hinkley Valley Water Company operation. If and when revisions in the Hinkley Valley rates are authorized, it will be appropriate to revise concurrently the rates for the Calvert and Hinkley areas. The utility, not its customers, must bear the burden of the uneconomic initial operation of the speculative development.

Ersul Area

The certificated area granted by Decision No. 67347 also included a parcel, designated herein as the Ersul area, located south of the City of San Bernardino in San Bernardino County. This parcel had already been served by applicant without Commission authorization prior to its certification. Exhibit No. 1 indicates that, for this area, the number of customers is 93, annual revenues are \$7,228, annual cash expenditures for operating expenses and taxes are \$4,795, and annual net interest payments are \$2,710.

Applicant's president estimates that the interim rates he now proposes in Exhibits Nos. 5 and 6 would increase revenues about 33 percent, as compared with the 66 percent increase which ultimately would result from the rates requested in the application. Based upon Exhibit No. 1, however, an increase of about four percent would offset the amount by which interest chargeable against the system exceeds the cash surplus from operations. A five percent interim increase will be authorized for the Ersul area.

Loma Linda Area

Applicant's president testified that applicant had issued demand notes to the three owners of an alleged "mutual" water company in payment for a water system in the Loma Linda area near San Bernardino. He was unable to explain how it was possible to have only three owners of a mutual water system serving some 36 customers. He stated that applicant did not file an application for a certificate covering the Loma Linda area because of lack of funds to pay the \$50 filing fee. Service to this area by applicant has not been authorized by the Commission. Under the circumstances, no consideration will be given to the establishment of interim rate increases.

Kentwood and Whispering Pines Areas

Pending decision in Application No. 46719 and Case No. 8054, involving requested authority for applicant to acquire the water systems owned by Kentwood in the Pines Community Association (KPCA) in and about Kentwood in the Pines and Whispering Pines, near Julian, San Diego County, applicant is acting pursuant to the terms of an agreement with KPCA providing for the management and operation of those systems by applicant. The agreement does not appear to qualify applicant to speak for the owner in this proceeding; in fact, KPCA entered an appearance as protestant herein. Under the circumstances, no consideration will be given to the portions of applicant's pleading for temporary rate increases in the service areas near Julian. If applicant is operating at a loss under the terms of the operating agreement, it should negotiate with the owner for revision of those terms.

Rates

From the foregoing discussion of applicant's various service areas, it can be seen that emergency interim increases can be considered only for the Keeler and Ersul areas. The following Table I summarizes the present rates for those areas, the interim rates requested by applicant, and the interim rates authorized herein, all on a monthly basis.

TABLE I
SUMMARY OF RATES

<u>Schedule</u>	<u>Present Rates</u>	<u>Interim Rates</u>	
		<u>Requested</u>	<u>Authorized</u>
<u>Flat Rates - Keeler Area</u>			
Residential, 1st unit	\$ 4.00	\$ 7.50	\$ 4.80
Residential, each add'l unit	2.25	4.25	2.70
Service station, grocery store, barber shop or drug store	5.00	9.00	6.00
Restaurant, bar, or eating place with 15 or less seating capacity	7.00	13.00	8.40
Restaurant seating in excess of 15 .....	.15	.30	.18
Sierra Talc. Co., mfg. plant	10.00	18.00	12.00
<u>Meter Rates - Keeler Area</u>			
First 1,000 cu.ft. or less	\$ 3.50	\$ 6.75	\$ 4.20
Next 4,000 cu.ft., per 100 cu.ft.	.30	.55	.36
Over 5,000 cu.ft., per 100 cu.ft.	.20	.40	.24
<u>Meter Rates - Ersul Area</u>			
First 700 cu.ft. or less	\$ 2.90	\$ 4.00	\$ 3.05
Next 4,300 cu.ft., per 100 cu.ft.	.30	.40	.32
Next 5,000 cu.ft., per 100 cu.ft.	.25	.35	.26
Over 10,000 cu.ft., per 100 cu.ft.	.15	.25	.16

Page 4 of Exhibit No. 6 attached to the application and Exhibit No. 6 presented at the hearing both show "present rates" for flat rate service to the Ersul area. Applicant's canceled tariff files, which were incorporated in this proceeding by reference,

show that flat rates for that area expired on December 31, 1964, fifteen days prior to the filing of the application herein.

Summary

The interim rate increases authorized herein for applicant's Keeler and Ersul areas will eliminate the cash deficit from operation of those systems, based upon applicant's Exhibit No. 1. This should avoid any interruption or diminution of water service to customers in those areas.

Exhibit No. 1 indicates that applicant's operation of the Hinkley Valley Water Company system, consolidated with its operation of the two small systems in the nearby Calvert and Hinkley areas, results in a cash loss at about \$18 per year. This insignificant amount of cash drain should not impair applicant's ability to serve those areas.

Applicant has not been authorized to acquire or operate the Loma Linda system, and has not been authorized to acquire the KPCA system. Any cash losses from those operations must necessarily be borne by applicant's principals. Applicant's president testified that his wife holds some \$20,000 of applicant's "demand" or "short-term" notes, some of which bear a 10 percent interest rate. Applicant's president must not drain the cash resources of the corporation on unauthorized speculative and uneconomic ventures and then expect emergency rate increases to pay inordinately high interest rates on notes held by his wife.

The record herein indicates that applicant and its officers may have violated the Public Utilities Code and various orders of this Commission. An order will be issued instituting an investigation into applicant's operations.

Most, if not all, of applicant's financial problems have resulted from applicant's past practice of acquiring water systems whose operations had not been authorized by this Commission and/or were not economically feasible. The order herein will prohibit any further expansion of applicant's operations without prior authorization.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues in its Keeler and Ersul systems to avoid cash deficits from those operations, but the interim rates proposed by applicant are excessive for that purpose.
2. 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 prescribed herein, are for the future unjust and unreasonable.
3. Applicant does not now have the financial ability to acquire and/or operate additional water systems.

The Commission concludes that the application for interim relief should be granted only to the extent set forth in the order which follows, and that applicant should be prohibited from expanding its operations.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, applicant Golconda Utilities Company is authorized to file the revised rate schedules attached to this order as Appendix A and, concurrently,

withdraw its present Schedules Nos. SA-1, KE-1, and KE-2. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be May 1, 1965, or the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. After the effective date of this order, applicant shall neither acquire nor operate additional water systems without prior authorization of this Commission.

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

Dated at San Francisco, California, this 28th day of April, 1965.

Frederick B. Holcomb
 President

Arthur E. Hutchins

Augustin

George T. Hoover

Commissioners

APPENDIX A
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Schedule No. HI-1

(T)

Hinkley Tariff Area

(T)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 6089, and a portion of the southeast quarter of the southeast quarter of Section 26, Township 10 North, Range 3 West, S.B.B. & M., near Hinkley, San Bernardino County.

(T)

(T)

(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 700 cu.ft. or less	\$ 2.90
Next 4,300 cu.ft., per 100 cu.ft. ....	.30
Next 5,000 cu.ft., per 100 cu.ft. ....	.25
Over 10,000 cu.ft., per 100 cu.ft. ....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.90
For 3/4-inch meter	4.00
For 1-inch meter	6.25
For 1 1/2-inch meter	10.00
For 2-inch meter	16.00
For 3-inch meter	26.00
For 4-inch meter	42.50

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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Schedule No. ER-1

(T)

Ersul Tariff Area

(T)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 3309, and vicinity, near the City of San Bernardino,
San Bernardino County.

(T)

(T)

RATES

Per Meter
Per Month

Quantity Rates:

First 700 cu.ft. or less	\$ 3.05	(I)
Next 4,300 cu.ft., per 100 cu.ft. ....	.32	
Next 5,000 cu.ft., per 100 cu.ft. ....	.26	
Over 10,000 cu.ft., per 100 cu.ft. ....	.16	

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.05	
For 3/4-inch meter	4.20	
For 1-inch meter	6.55	
For 1 1/2-inch meter	10.50	
For 2-inch meter	16.80	
For 3-inch meter	27.30	
For 4-inch meter	44.60	(I)

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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Schedule No. KE-1

Keeler Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Keeler and vicinity, Inyo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 1,000 cu.ft. or less	\$ 4.20	(I)
Next 4,000 cu.ft., per 100 cu.ft. ....	.36
Over 5,000 cu.ft., per 100 cu.ft. ....	.24
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 4.20	(I)
For 3/4-inch meter	6.00	
For 1-inch meter	9.00	
For 1 1/2-inch meter	18.00	
For 2-inch meter	30.00	

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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Schedule No. KE-2

Keeler Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Keeler and vicinity, Inyo County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single-family residence or first unit of a multiple residence, including premises	\$ 4.80	(I)
a. For each additional residence, residential unit or house trailer located on the premises and served from the same service connection ...	2.70	
2. For each service station, grocery store, barber shop or drug store	6.00	
3. For each restaurant, bar or eating place, with a seating capacity of 15 or less ..	8.40	
a. For each additional seat in excess of 15 seats .....	.18	
4. For the Sierra Talc Company, manufacturing plant	12.00	(I)

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.

2. Meters may be installed at option of utility for above classifications, in which event service thereafter will be furnished only on the basis of Schedule No. KE-1, General Metered Service.