

ORIGINAL

Decision No. 76388

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

ANTELOPE VALLEY WATER COMPANY,  
a California corporation,

for authority to increase its rates  
for water service.

Application No. 50234

(Filed May 10, 1968)  
(Amended August 14, 1968)

Appearances at Original Hearings:

Gibson, Dunn & Crutcher, by Raymond L. Curran, for applicant.  
Waugh & Waugh, by Sanford A. Waugh, for certain protestants (Somerset-Lancaster area); Danny Jones, for Fremont Valley Protestants; Roger L. Minerman, for Leona Valley Improvement Association; Dean D. Hayes, for Green Valley Protestants; Jack W. Julian, for North Edwards Protestants; and Zane I. Benton, Mrs. Thelma B. Long, Mrs. Wade Harvey, Raymond K. Roush, Mrs. Michael F. Citro, and Maurice D. Sender, in propria personae, protestants.  
Jerry J. Levander, for the Commission staff.

Additional Appearances at Further Hearing:

Gerald Leavitt, for FFA, 4-H and local users; and Clarence A. Porter, Elise Wahquist, Albert Yocum Brown, Lavinia S. Fullmer, James M. Beeler, and Frank Foley, in propria personae, protestants.  
C. S. Strelinski, for the Commission staff.

O P I N I O N

History of Acquisitions

By Decision No. 69516, dated August 10, 1965, in Application No. 47756, Dominguez Water Corporation (Dominguez) was authorized to acquire all of the outstanding common stock of Antelope Valley Water Company (Antelope) and North Edwards Water Company, and by Decision No. 69951, dated November 16, 1965, in Application No. 47982, North Edwards Water Company was authorized to merge into Antelope.

Dominguez, which furnishes water service to some 26,000 customers in south Los Angeles County, in portions of the Cities of Los Angeles, Long Beach and Torrance, and in Carson and in unincorporated territory of Los Angeles County, operates Antelope as a wholly owned subsidiary and Antelope, since its acquisition, control, and operation by Dominguez, acquired the assets of Lake Hughes Water Department by Decision No. 72293, dated April 11, 1967, in Application No. 48985; merged with Inyokern Water Company, operating in the vicinity of the community of Inyokern in North Kern County by Decision No. 71935, dated January 31, 1967, in Application No. 49064; acquired outstanding stock of Kernville Domestic Water Company<sup>1/</sup> by Decision No. 71954, dated January 31, 1967, in Application No. 49089; and merged with Rancho Green Valley Water Company by Decision No. 72377, dated May 2, 1967, in Application No. 49266; Figure 2-1 of Exhibit No. 4 shows schematically the service areas of Dominguez and Antelope.

---

<sup>1/</sup> Kernville is operated separately by Dominguez as a wholly owned subsidiary of Antelope, but Kernville is not involved in the instant application to increase Antelope's rates.

Antelope's Service Area and Facilities

Antelope's service area includes 12<sup>2/</sup> districts extending from north and northwest Los Angeles County about 100 miles to east and northeast Kern County.<sup>3/</sup>

Figures 3-1 through 3-9 of Exhibit No. 4 show Antelope's principal facilities in its operating districts, and Table 5-3 of said exhibit shows Antelope's estimated average number of customers by districts for the year 1968 as follows: Lancaster 125; China Lake 70; North Edwards (Omart) 95; Willow Springs 4; Fremont Valley 15; North Edwards (Carlsberg) 64; Leona Valley 209; Lake Hughes 185; Inyokern 163; Green Valley 205; for a total of 1,135. The recorded total for the year 1967 was 1,096, and the largest estimated increases are 10 each for Lancaster and China Lake and 6 for Inyokern. The recorded total for the year 1966 was 1,063, and the greatest increases between 1966 and 1968 estimated are in Lancaster, China Lake and Green Valley.<sup>4/</sup>

The record shows that when Antelope acquired Lake Hughes, Leona Valley, Rancho Green Valley, and Inyokern, its systems were

---

<sup>2/</sup> Antelope's Avenue E and Morse Districts have no customers and are not considered herein.

<sup>3/</sup> The Kernville service area is in the extreme north central part of Kern County.

<sup>4/</sup> Several additional dwellings (customers) are being added in the Somerset area of the Lancaster district.

operating at losses, with no prospects for immediately profitable operations. The record further shows that when Dominguez acquired Antelope, the latter was operating at a loss, but that, for the year 1967, Antelope's operations for the year 1967, as adjusted by the Commission staff, produced a net revenue of \$6,560 on a rate base of \$415,720, and a rate of return of 1.58 percent. In Dominguez' application to acquire and operate Antelope, and in each of Antelope's applications to acquire said other systems, both Dominguez and Antelope alleged that they possessed the financial resources and utility experience necessary to acquire, make needed improvements, and operate said systems, or that Dominguez could make available to Antelope financial resources and a degree of managerial skill, continuity of personnel, and general level of experience and ability in the water utility industry not otherwise available to Antelope.<sup>5/</sup> The Commission

---

<sup>5/</sup> Decision No. 69516 (supra), which authorized Dominguez to acquire Antelope and North Edwards shows combined plant and assets of the latter two companies to have been approximately \$500,000 and the selling price to Dominguez to have been \$225,000. Decision No. 70392, which authorized Antelope to acquire Inyokern for \$35,500 cash, shows that funds for the purchase were to be advanced by Dominguez.

Decision No. 71685, which authorized Antelope to acquire Rancho Green Valley for \$17,900.14, stated that that amount was substantially below the aggregate book value of the 1,000 shares of \$10 par value common stock and 1,776 shares of \$10 par value preferred stock.

Decision No. 71954 (supra), dated January 31, 1967, in Application No. 49089, which authorized Antelope to acquire Kernville's stock for \$65,000 cash, stated that Antelope could make available to Kernville "financial resources, etc." not otherwise available to Kernville.

Decision No. 72293 (supra), which authorized Antelope to acquire the Lake Hughes system, stated that the purchase price was \$7,500; found that both Antelope and Dominguez possessed the "financial resources, etc."; and directed Antelope to, on or before October 1, 1968, file a summary of operating revenues, operating expenses, rate base and rate of return on rate base for the twelve-month period ending June 30, 1968, for the Lake Hughes system. Although extension of time to December 31, 1968, to comply was granted by Decision No. 74397, dated July 16, 1968, said report has not been filed.

found in each case that the acquisitions would not be adverse to the public interest. However, no evidence was submitted and no allegations were made by the applicant in these applications regarding Dominguez' plans for financing Antelope either in its operations or capital improvements.

Dominguez' Present Financial Condition

By Decision No. 74833, dated October 15, 1968, in Application No. 49793, Dominguez was authorized to increase its rates for water service by the gross annual amount of \$277,500, or 9.2 percent, based on its estimated operations for the year 1968. Such authorization was estimated to provide an average rate of return to Dominguez of approximately 7.0 percent for the next four years. On May 8, 1969, Dominguez filed Application No. 51066 for authority to increase rates for water service to offset the increased cost of purchased water, and on August 14, 1969, it filed an amendment to said application showing the gross annual increase for the year ending March 31, 1969, to be \$293,473 which would increase its rate of return for said period, recorded, from 6.71 percent to 7.35 percent. Decision No. 76333, dated October 28, 1969, authorized this offset increase.

Antelope's Instant Application as Amended

By the instant application as amended, and as shown in Exhibit No. 7, Antelope seeks to increase its gross operating revenues for the adjusted year 1968 from \$101,486 to \$147,590, an increase of \$46,104, or 45.4 percent. Since there are presently eight different rate schedules in effect in various portions of the Antelope system, all of which were inherited from prior

operators and since by the instant application, Antelope seeks to establish a uniform schedule applicable to all service areas, the impact of the proposed systemwide increase varies from a 72 percent increase in Lancaster, Leona Valley, Willow Springs, 78 percent in Inyokern to about 37 and 21 percent decreases in Green Valley and Lake Hughes.<sup>6/</sup> The increases proposed in China Lake, North Edwards, and Fremont Valley would be about 47 percent for the average user; varying from 10 percent to the higher percentage depending on monthly use. A detailed comparison of present and proposed general metered service rates for various usages is contained in Table 13-2 of Exhibit No. 4, which is reproduced and included in the tabulation on page 6-a (seq.).

Exhibit No. 2 is a tabulation of bimonthly billings in the Somerset tract of the Lancaster District. For the last six bimonthly billing periods, the total consumption of the tract, which contains 77 consumers, was 3,545,700 cu. ft. and the total revenue, \$11,081.28. The average annual consumption was 46,048 cu. ft., or approximately 3,837 cu. ft. per month. The average annual bill per customer was \$143.91, or approximately \$12 per month. At the proposed rates, this would be increased to \$20.30 per month, or 69.17 percent. It was this proposal which has brought the vigorous protest of the Somerset residents. Their homes are generally two-storied, with three or four bedrooms, lawns, front and back, no swimming pools, and ultra-absorptive sandy soil. The Somerset tract is served by one well, through a compactly integrated system, with no special operating costs or problems.

---

<sup>6/</sup> Increases varying from 0.81 percent to 28.33 percent are proposed for lower monthly uses in Lake Hughes.

Table 13.2. Comparison of Present and Proposed General Metered Service Rates for Various Users

| Per month<br>use block<br>Gcf | Proposed<br>rate | Laguerre, Logo Valley<br>Willow Springs |                     | China Lake, XXXXXXXXXXXX<br>No. Divides, Fresno Valley |                     | Lute Hughes      |                     | Inyokern         |                     | Green Valley     |                     |
|-------------------------------|------------------|---|---------------------|--|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
|                               |                  | Present<br>rates                        | Percent<br>Increase | Present<br>rates                                       | Percent<br>Increase | Present<br>rates | Percent<br>Increase | Present<br>rates | Percent<br>Increase | Present<br>rates | Percent<br>Increase |
| 0                             | \$2.85           | \$3.00                                  | 28.33%              | \$3.50   | 16.00%              | \$3.00           | 28.33%              | \$2.50           | 54.00%              | \$3.85           | 0.00%               |
| 1                             | 3.85             | 3.00                                    | 28.33               | 3.50   | 10.00               | 3.00             | 28.33               | 2.50             | 54.00               | 3.85             | 0.00                |
| 2                             | 3.85             | 3.00                                    | 28.33               | 3.50   | 10.00               | 3.00             | 28.33               | 2.50             | 54.00               | 3.85             | 0.00                |
| 3                             | 4.45             | 3.00                                    | 48.33               | 3.50   | 27.34               | 3.80             | 17.11               | 2.50             | 78.00               | 4.60             | (3.26)              |
| 4                             | 5.05             | 3.00                                    | 68.33               | 3.50   | 44.29               | 4.50             | 9.78                | 2.87             | 73.96               | 5.35             | (5.65)              |
| 5                             | 5.65             | 3.35                                    | 48.65               | 3.50   | 41.47               | 5.40             | 4.63                | 3.25             | 73.84               | 6.10             | (7.38)              |
| 6                             | 6.25             | 3.70                                    | 68.92               | 4.30   | 45.35               | 6.20             | 9.81                | 3.62             | 72.65               | 6.85             | (8.76)              |
| 7                             | 6.85             | 4.05                                    | 69.14               | 4.70   | 43.74               | 7.00             | (2.10)              | 4.00             | 71.25               | 7.60             | (9.87)              |
| 8                             | 7.45             | 4.40                                    | 69.31               | 5.10   | 46.08               | 7.80             | (4.48)              | 4.37             | 70.48               | 8.35             | (10.27)             |
| 9                             | 8.05             | 4.75                                    | 69.47               | 5.50   | 46.36               | 8.60             | (6.60)              | 4.74             | 69.03               | 9.10             | (11.53)             |
| 10                            | 8.65             | 5.10                                    | 69.60               | 5.90   | 46.81               | 9.40             | (5.45)              | 5.12             | 68.84               | 9.85             | (12.18)             |
| 11                            | 9.25             | 5.45                                    | 69.72               | 6.30   | 46.92               | 9.70             | (4.60)              | 5.42             | 70.66               | 10.60            | (12.74)             |
| 12                            | 9.85             | 5.80                                    | 69.82               | 6.70   | 47.01               | 10.25            | (3.90)              | 5.73             | 72.50               | 11.35            | (11.26)             |
| 13                            | 10.45            | 6.15                                    | 69.91               | 7.10   | 47.18               | 10.60            | (3.25)              | 6.02             | 73.59               | 12.10            | (9.91)              |
| 14                            | 11.05            | 6.50                                    | 70.00               | 7.50   | 47.33               | 11.35            | (2.60)              | 6.31             | 75.11               | 12.85            | (8.63)              |
| 15                            | 11.65            | 6.85                                    | 70.08               | 7.90   | 46.45               | 12.10            | (4.73)              | 6.60             | 72.38               | 13.60            | (6.13)              |
| 16                            | 12.25            | 7.20                                    | 69.95               | 8.30   | 45.91               | 13.10            | (5.35)              | 6.90             | 73.49               | 14.35            | (5.34)              |
| 17                            | 12.85            | 7.55                                    | 69.81               | 8.70   | 45.03               | 14.10            | (8.17)              | 7.20             | 75.50               | 15.10            | (6.02)              |
| 18                            | 13.45            | 7.90                                    | 69.67               | 9.10   | 44.00               | 15.10            | (9.13)              | 7.50             | 72.13               | 15.85            | (6.57)              |
| 19                            | 14.05            | 8.25                                    | 69.61               | 9.50   | 44.24               | 16.10            | (12.15)             | 7.80             | 70.85               | 16.60            | (7.07)              |
| 20                            | 14.65            | 8.60                                    | 70.05               | 9.90   | 43.94               | 17.10            | (16.50)             | 8.10             | 69.77               | 17.35            | (7.42)              |
| 21                            | 15.25            | 8.95                                    | 70.33               | 10.30  | 43.66               | 18.10            | (19.53)             | 8.40             | 70.48               | 18.10            | (8.07)              |
| 22                            | 15.85            | 9.30                                    | 70.48               | 10.70  | 43.08               | 19.10            | (21.75)             | 8.70             | 72.13               | 18.85            | (8.51)              |
| 23                            | 16.45            | 9.65                                    | 71.33               | 11.10  | 42.77               | 20.10            | (23.46)             | 9.00             | 73.48               | 19.60            | (8.93)              |
| 24                            | 17.05            | 10.00                                   | 71.67               | 11.50  | 42.52               | 21.10            | (25.81)             | 9.30             | 74.61               | 20.35            | (9.25)              |
| 25                            | 17.65            | 10.35                                   | 71.95               | 11.90  | 42.31               | 22.10            | (27.93)             | 9.60             | 75.57               | 21.10            | (9.55)              |
| 26                            | 18.25            | 10.70                                   | 72.29               | 12.30  | 42.64               | 23.10            | (29.93)             | 9.90             | 76.60               | 21.85            | (10.78)             |
| 27                            | 18.85            | 11.05                                   | 72.77               | 12.70  | 43.54               | 24.10            | (31.44)             | 10.20            | 77.65               | 22.60            | (11.91)             |
| 28                            | 19.45            | 11.40                                   | 73.11               | 13.10  | 44.44               | 25.10            | (32.44)             | 10.50            | 78.70               | 23.35            | (13.04)             |
| 29                            | 20.05            | 11.75                                   | 73.45               | 13.50  | 45.34               | 26.10            | (33.44)             | 10.80            | 79.75               | 24.10            | (14.17)             |
| 30                            | 20.65            | 12.10                                   | 73.79               | 13.90  | 46.24               | 27.10            | (34.44)             | 11.10            | 80.80               | 24.85            | (15.30)             |
| 31                            | 21.25            | 12.45                                   | 74.13               | 14.30  | 47.14               | 28.10            | (35.44)             | 11.40            | 81.85               | 25.60            | (16.43)             |
| 32                            | 21.85            | 12.80                                   | 74.47               | 14.70  | 48.04               | 29.10            | (36.44)             | 11.70            | 82.90               | 26.35            | (17.56)             |
| 33                            | 22.45            | 13.15                                   | 74.81               | 15.10  | 48.94               | 30.10            | (37.44)             | 12.00            | 83.95               | 27.10            | (18.69)             |
| 34                            | 23.05            | 13.50                                   | 75.15               | 15.50  | 49.84               | 31.10            | (38.44)             | 12.30            | 85.00               | 27.85            | (19.82)             |
| 35                            | 23.65            | 13.85                                   | 75.49               | 15.90  | 50.74               | 32.10            | (39.44)             | 12.60            | 86.05               | 28.60            | (20.95)             |
| 36                            | 24.25            | 14.20                                   | 75.83               | 16.30  | 51.64               | 33.10            | (40.44)             | 12.90            | 87.10               | 29.35            | (22.08)             |
| 37                            | 24.85            | 14.55                                   | 76.17               | 16.70  | 52.54               | 34.10            | (41.44)             | 13.20            | 88.15               | 30.10            | (23.21)             |
| 38                            | 25.45            | 14.90                                   | 76.51               | 17.10  | 53.44               | 35.10            | (42.44)             | 13.50            | 89.20               | 30.85            | (24.34)             |
| 39                            | 26.05            | 15.25                                   | 76.85               | 17.50  | 54.34               | 36.10            | (43.44)             | 13.80            | 90.25               | 31.60            | (25.47)             |
| 40                            | 26.65            | 15.60                                   | 77.19               | 17.90  | 55.24               | 37.10            | (44.44)             | 14.10            | 91.30               | 32.35            | (26.60)             |
| 41                            | 27.25            | 15.95                                   | 77.53               | 18.30  | 56.14               | 38.10            | (45.44)             | 14.40            | 92.35               | 33.10            | (27.73)             |
| 42                            | 27.85            | 16.30                                   | 77.87               | 18.70  | 57.04               | 39.10            | (46.44)             | 14.70            | 93.40               | 33.85            | (28.86)             |
| 43                            | 28.45            | 16.65                                   | 78.21               | 19.10  | 57.94               | 40.10            | (47.44)             | 15.00            | 94.45               | 34.60            | (29.99)             |
| 44                            | 29.05            | 17.00                                   | 78.55               | 19.50  | 58.84               | 41.10            | (48.44)             | 15.30            | 95.50               | 35.35            | (31.12)             |
| 45                            | 29.65            | 17.35                                   | 78.89               | 19.90  | 59.74               | 42.10            | (49.44)             | 15.60            | 96.55               | 36.10            | (32.25)             |
| 46                            | 30.25            | 17.70                                   | 79.23               | 20.30  | 60.64               | 43.10            | (50.44)             | 15.90            | 97.60               | 36.85            | (33.38)             |
| 47                            | 30.85            | 18.05                                   | 79.57               | 20.70  | 61.54               | 44.10            | (51.44)             | 16.20            | 98.65               | 37.60            | (34.51)             |
| 48                            | 31.45            | 18.40                                   | 79.91               | 21.10  | 62.44               | 45.10            | (52.44)             | 16.50            | 99.70               | 38.35            | (35.64)             |
| 49                            | 32.05            | 18.75                                   | 80.25               | 21.50  | 63.34               | 46.10            | (53.44)             | 16.80            | 100.75              | 39.10            | (36.77)             |
| 50                            | 32.65            | 19.10                                   | 80.59               | 21.90  | 64.24               | 47.10            | (54.44)             | 17.10            | 101.80              | 39.85            | (37.90)             |
| 51                            | 33.25            | 19.45                                   | 80.93               | 22.30  | 65.14               | 48.10            | (55.44)             | 17.40            | 102.85              | 40.60            | (39.03)             |
| 52                            | 33.85            | 19.80                                   | 81.27               | 22.70  | 66.04               | 49.10            | (56.44)             | 17.70            | 103.90              | 41.35            | (40.16)             |
| 53                            | 34.45            | 20.15                                   | 81.61               | 23.10  | 66.94               | 50.10            | (57.44)             | 18.00            | 104.95              | 42.10            | (41.29)             |
| 54                            | 35.05            | 20.50                                   | 81.95               | 23.50  | 67.84               | 51.10            | (58.44)             | 18.30            | 106.00              | 42.85            | (42.42)             |
| 55                            | 35.65            | 20.85                                   | 82.29               | 23.90  | 68.74               | 52.10            | (59.44)             | 18.60            | 107.05              | 43.60            | (43.55)             |
| 56                            | 36.25            | 21.20                                   | 82.63               | 24.30  | 69.64               | 53.10            | (60.44)             | 18.90            | 108.10              | 44.35            | (44.68)             |
| 57                            | 36.85            | 21.55                                   | 82.97               | 24.70  | 70.54               | 54.10            | (61.44)             | 19.20            | 109.15              | 45.10            | (45.81)             |
| 58                            | 37.45            | 21.90                                   | 83.31               | 25.10  | 71.44               | 55.10            | (62.44)             | 19.50            | 110.20              | 45.85            | (46.94)             |
| 59                            | 38.05            | 22.25                                   | 83.65               | 25.50  | 72.34               | 56.10            | (63.44)             | 19.80            | 111.25              | 46.60            | (48.07)             |
| 60                            | 38.65            | 22.60                                   | 83.99               | 25.90  | 73.24               | 57.10            | (64.44)             | 20.10            | 112.30              | 47.35            | (49.20)             |
| 61                            | 39.25            | 22.95                                   | 84.33               | 26.30  | 74.14               | 58.10            | (65.44)             | 20.40            | 113.35              | 48.10            | (50.33)             |
| 62                            | 39.85            | 23.30                                   | 84.67               | 26.70  | 75.04               | 59.10            | (66.44)             | 20.70            | 114.40              | 48.85            | (51.46)             |
| 63                            | 40.45            | 23.65                                   | 85.01               | 27.10  | 75.94               | 60.10            | (67.44)             | 21.00            | 115.45              | 49.60            | (52.59)             |
| 64                            | 41.05            | 24.00                                   | 85.35               | 27.50  | 76.84               | 61.10            | (68.44)             | 21.30            | 116.50              | 50.35            | (53.72)             |
| 65                            | 41.65            | 24.35                                   | 85.69               | 27.90  | 77.74               | 62.10            | (69.44)             | 21.60            | 117.55              | 51.10            | (54.85)             |
| 66                            | 42.25            | 24.70                                   | 86.03               | 28.30  | 78.64               | 63.10            | (70.44)             | 21.90            | 118.60              | 51.85            | (55.98)             |
| 67                            | 42.85            | 25.05                                   | 86.37               | 28.70  | 79.54               | 64.10            | (71.44)             | 22.20            | 119.65              | 52.60            | (57.11)             |
| 68                            | 43.45            | 25.40                                   | 86.71               | 29.10  | 80.44               | 65.10            | (72.44)             | 22.50            | 120.70              | 53.35            | (58.24)             |
| 69                            | 44.05            | 25.75                                   | 87.05               | 29.50  | 81.34               | 66.10            | (73.44)             | 22.80            | 121.75              | 54.10            | (59.37)             |
| 70                            | 44.65            | 26.10                                   | 87.39               | 29.90  | 82.24               | 67.10            | (74.44)             | 23.10            | 122.80              | 54.85            | (60.50)             |
| 71                            | 45.25            | 26.45                                   | 87.73               | 30.30  | 83.14               | 68.10            | (75.44)             | 23.40            | 123.85              | 55.60            | (61.63)             |
| 72                            | 45.85            | 26.80                                   | 88.07               | 30.70  | 84.04               | 69.10            | (76.44)             | 23.70            | 124.90              | 56.35            | (62.76)             |
| 73                            | 46.45            | 27.15                                   | 88.41               | 31.10  | 84.94               | 70.10            | (77.44)             | 24.00            | 125.95              | 57.10            | (63.89)             |
| 74                            | 47.05            | 27.50                                   | 88.75               | 31.50  | 85.84               | 71.10            | (78.44)             | 24.30            | 127.00              | 57.85            | (65.02)             |
| 75                            | 47.65            | 27.85                                   | 89.09               | 31.90  | 86.74               | 72.10            | (79.44)             | 24.60            | 128.05              | 58.60            | (66.15)             |
| 76                            | 48.25            | 28.20                                   | 89.43               | 32.30  | 87.64               | 73.10            | (80.44)             | 24.90            | 129.10              | 59.35            | (67.28)             |
| 77                            | 48.85            | 28.55                                   | 89.77               | 32.70  | 88.54               | 74.10            | (81.44)             | 25.20            | 130.15              | 60.10            | (68.41)             |
| 78                            | 49.45            | 28.90                                   | 90.11               | 33.10  | 89.44               | 75.10            | (82.44)             | 25.50            | 131.20              | 60.85            | (69.54)             |
| 79                            | 50.05            | 29.25                                   | 90.45               | 33.50  | 90.34               | 76.10            | (83.44)             | 25.80            | 132.25              | 61.60            | (70.67)             |
| 80                            | 50.65            | 29.60                                   | 90.79               | 33.90  | 91.24               | 77.10            | (84.44)             | 26.10            | 133.30              | 62.35            | (71.80)             |
| 81                            | 51.25            | 29.95                                   | 91.13               | 34.30  | 92.14               | 78.10            | (85.44)             | 26.40            | 134.35              | 63.10            | (72.93)             |
| 82                            | 51.85            | 30.30                                   | 91.47               | 34.70  | 93.04               | 79.10            | (86.44)             | 26.70            | 135.40              | 63.85            | (74.06)             |
| 83                            | 52.45            | 30.65                                   | 91.81               | 35.10  | 93.94               | 80.10            | (87.44)             | 27.00            | 136.45              | 64.60            | (75.19)             |
| 84                            | 53.05            | 31.00                                   | 92.15               | 35.50  | 94.84               | 81.10            | (88.44)             | 27.30            | 137.50              | 65.35            | (76.32)             |
| 85                            | 53.65            | 31.35                                   | 92.49               | 35.90  | 95.74               | 82.10            | (89.44)             | 27.60            | 138.55              | 66.10            | (77.45)             |
| 86                            | 54.25            | 31.70                                   | 92.83               | 36.30  | 96.64               | 83.10            | (90.44)             | 27.90            | 139.60              | 66.85            | (78.58)             |
| 87                            | 54.85            | 32.05                                   | 93.17               | 36.70  | 97.54               | 84.10            | (91.44)             | 28.20            | 140.65              | 67.60            | (79.71)             |
| 88                            | 55.45            | 32.40                                   | 93.51               | 37.10  | 98.44               | 85.10            | (92.44)             | 28.50            | 141.70              | 68.35            | (80.84)             |
| 89                            | 56.05            | 32.75                                   | 93.85               | 37.50  | 99.34               | 86.10            | (93.44)             | 28.80            | 142.75              | 69.10            | (81.97)             |
| 90                            | 56.65            | 33.10                                   | 94.19               | 37.90  | 100.24              | 87.10            | (94.44)             | 29.10            | 143.80              | 69.85            | (83.10)             |
| 91                            | 57.25            | 33.45                                   | 94.53               | 38.30  | 101.14              | 88.10            | (95.44)             | 29.40            | 144.85              | 70.60            | (84.23)             |
| 92                            | 57.85            | 33.80                                   | 94.87               | 38.70  | 102.04              | 89.10            | (96.44)             | 29.70            | 145.90              | 71.35            | (85.36)             |
| 93                            | 58.45            | 34.15                                   | 95.21               | 39.10  | 102.94              | 90.10            | (97.44)             | 30.00            | 146.95              | 72.10            | (86.49)             |
| 94                            | 59.05            | 34.50                                   | 95.55               | 39.50  | 103.84              | 91.10            | (98.44)             | 30.30            | 148.00              | 72.85            | (87.62)             |
| 95                            | 59.65            | 34.85                                   | 95.89               | 39.90  | 104.74              | 92.10            | (99.44)             | 30.60            | 149.05              | 73.60            | (88.75)             |
| 96                            | 60.25            | 35.20                                   | 96.23               | 40.30  | 105.64              | 93.10            | (100.44)            | 30.90            | 150.10              | 74.35            | (89.88)             |
| 97                            | 60.85            | 35.55                                   | 96.57               | 40.70  | 106.54              | 94.10            | (101.44)            | 31.20            | 151.15              | 75.10            | (91.01)             |
| 98                            | 61.45            | 35.90                                   | 96.91               | 41.10  | 107.44              | 95.10            | (102.44)            | 31.50            | 152.20              | 75.85            | (92.14)             |
| 99                            | 62.05            |   |                     |  |                     |                  |                     |                  |                     |                  |                     |

Conversely, the Lake Hughes and Green Valley systems are extended, with a sparse number of consumers and problems of water supply, storage and delivery, and varieties of elevations of terrain. The China Lake, Inyokern, North Edwards, Willow Springs, and Fremont Valley systems are flat. To the extent that certain water system facilities, including mains, were installed, but were not necessary for the delivery of water to consumers or operations of the system, the staff has deleted such facilities from utility plant in service accounts as a deduction from rate base for rate-making purposes. These systems present no particular operating problems to Antelope, except their remoteness from either Antelope's headquarters in Leona Valley or Dominguez' headquarters in Long Beach.

The Commission takes note of the growth and potential development of the Antelope Valley, which may be substantially enhanced by the construction of very large aircraft plants, the establishment of Palmdale Airport as one of the major airports of the world to serve supersonic aircraft and passengers, the importation of Feather River water through the California Water Project (the aqueduct traverses the entire valley from the northwest to the southeast) and resultant increased economic health of the valley and its surroundings, all of which should measurably benefit Antelope and its parent Dominguez.



Original Hearings

Original public hearings were held before Examiner Warner on October 22, 1968, at Lancaster, October 23 at Boron near North Edwards, and October 24 at Ridgecrest in the China Lake-Inyokern areas. About 125 protestants attended these hearings at Lancaster, 50 at Boron, and 25 at Ridgecrest, and the Commission has received 13 letters of protest from North Edwards, one from Leona Valley, 21 from Lancaster, including a petition with 68 signatures, one from Green Valley, and one from Lake Hughes. The matter was submitted on the last-named date, subject to the receipt of briefs on or before January 17, 1969.

The record of the original hearings comprises 512 pages of testimony and 14 exhibits. Eight public consumer witnesses from the Somerset-Lancaster area, under the direction of counsel, protested the magnitude of the proposed rate increase in the Somerset area and there was some complaint about sand and mud in a cul-de-sac noncirculating main; one customer from Fremont Valley complained about the proposed rate increase; two consumers from Leona Valley complained of low pressure and one complained of the quality of water, and all three protested the magnitude of the proposed rate increase; three customers from Green Valley complained about the inadequacy of fire protection service and the inadequacy of the number of fire hydrants in the area; eight consumers from North Edwards protested the rate increase and complained of service conditions, including the inaccessibility of service men during

outages due to the distance from North Edwards to Antelope's Green Valley service headquarters; and two customers from Inyokern and one from China Lake protested the magnitude of the proposed rate increase, the lack of standby water supply facilities, and the remoteness of Antelope's service headquarters in Leona Valley, about 100 miles away.<sup>7/</sup>

Applicant's witnesses were its secretary-treasurer, who was also secretary-treasurer of Dominguez, a certified public accountant, and an engineer from a consulting engineering firm, and its service manager. Exhibit No. 4, submitted at the original hearings (later adjusted by Exhibit No. 7), is applicant's report of its operations for the recorded years 1966 and 1967, the adjusted year 1967, and the estimated year 1968. The Commission staff witnesses were a financial and accounting expert and an engineer. Exhibit No. 6, as revised, also submitted at the original hearings (later adjusted by Exhibits Nos. 8 and 8 Appendix A-1), are reports of applicant's operations for the years 1967 adjusted and 1968 estimated.

#### Further Hearing

By Decision No. 75723, dated May 27, 1969, submission of the matter was set aside and the proceedings were reopened for further hearing to augment the record by evidence regarding the applicant's earnings for the year ending December 31, 1968, by districts (Lancaster, Leona Valley, China Lake, North Edwards, Fremont Valley, Lake Hughes, Inyokern and Green Valley), and

---

<sup>7/</sup> Exhibit No. 1-A is a report of Antelope's investigation of all substantive service complaints. It shows that most operating conditions complained of have been or will be corrected.

A. 50234 - SW/JR \*

other evidence as appropriate. All parties of record were given notice and further hearing was held before Examiner Warner on July 7, 1969, at Lancaster. The applicant submitted Exhibit No. 7, as noted, a report on its operations by districts for the year 1968 recorded and adjusted. The staff engineer submitted a supplemental report, Exhibit No. 8, recommending a tariff for general metered service for all of applicant's districts, except Green Valley and Lake Hughes, for which he submitted tariffs for annual metered service and limited annual residential flat rate service. About 70 customers appeared to protest the application again and the matter was resubmitted subject to the receipt of late-filed Exhibit No. 8 Appendix A-1, a staff supplemental report on district earnings for the year 1968 estimated; Exhibit No. 9, a copy of the minutes of a Leona Valley Improvement Association meeting, which said exhibit has not been received; and Exhibit No. 10, a chemical analysis of arsenic contents in well water supplies in China Lake, Fremont Valley, Inyokern, and east and west sides of North Edwards, together with closing statements, all to be filed on or before August 4, 1969. Said exhibits, except as noted, and statements have been received, and the matter is ready for decision. In addition, two other letters protesting the application have been received since the last hearing date.

#### District Earnings

The following tabulations show applicant's district earnings for the year 1968 adjusted and estimated, as set forth in Exhibit No. 7 and Exhibit No. 8 Appendix A-1. For tariff purposes, districts have been grouped by area and character of service, to wit: desert, resort, and suburban, and earnings data thereon are also shown:

Gross Revenue, Net Revenue, Rate Base  
& Rate of Return by Districts

| District | Year 1968 Adjusted |             |           |                |
|----------|--------------------|-------------|-----------|----------------|
|          | Gross Revenue      | Net Revenue | Rate Base | Rate of Return |

Present Rates - Per Co. Ex. 7

Desert

|                |          |          |           |       |
|----------------|----------|----------|-----------|-------|
| China Lake     | \$ 7,913 | \$ 1,360 | \$ 62,039 | 2.19% |
| Inyokern       | 16,406   | 3,219    | 45,709    | 7.04% |
| North Edwards  | 15,001   | 1,308    | 68,000    | 1.93% |
| Willow Springs | 198      | (2,196)  | 2,714     | -     |
| Fremont Valley | 1,879    | (2,929)  | 39,197    | -     |
| Subtotal       | 41,397   | 762      | 217,659   | 0.35% |

Resort

|              |        |         |        |       |
|--------------|--------|---------|--------|-------|
| Lake Hughes  | 9,881  | (2,112) | 32,801 | -     |
| Green Valley | 13,041 | 3,478   | 52,668 | 6.60% |
| Subtotal     | 22,922 | 1,366   | 85,469 | 1.60% |

Suburban

|               |         |       |         |       |
|---------------|---------|-------|---------|-------|
| Lancaster     | 17,476  | 2,810 | 78,951  | 3.56% |
| Leona Valley  | 19,691  | 3,037 | 138,434 | 2.19% |
| Subtotal      | 37,167  | 5,847 | 217,385 | 2.69% |
| Total Company | 101,486 | 7,975 | 520,513 | 1.53% |

Proposed Rates - Per Co. Ex. 7

Desert

|                |        |        |         |        |
|----------------|--------|--------|---------|--------|
| China Lake     | 11,190 | 3,118  | 62,039  | 5.03%  |
| Inyokern       | 27,470 | 7,083  | 45,709  | 15.50% |
| North Edwards  | 21,210 | 4,406  | 68,000  | 6.48%  |
| Willow Springs | 280    | (877)  | 2,714   | -      |
| Fremont Valley | 2,660  | (278)  | 39,197  | -      |
| Subtotal       | 62,810 | 13,452 | 217,659 | 6.18%  |

Resort

|              |        |       |        |       |
|--------------|--------|-------|--------|-------|
| Lake Hughes  | 10,980 | 155   | 32,801 | 0.47% |
| Green Valley | 12,530 | 2,261 | 52,668 | 4.29% |
| Subtotal     | 23,510 | 2,416 | 85,469 | 2.83% |

Suburban

|               |         |        |         |       |
|---------------|---------|--------|---------|-------|
| Lancaster     | 28,810  | 7,604  | 78,951  | 9.63% |
| Leona Valley  | 32,460  | 9,325  | 138,434 | 6.73% |
| Subtotal      | 61,270  | 16,929 | 217,385 | 7.79% |
| Total Company | 147,590 | 32,797 | 520,513 | 6.30% |

(Loss)

Gross Revenue, Net Revenue, Rate Base  
& Rate of Return by Districts

| District | Year 1968 Estimated |             |           |                |
|----------|---------------------|-------------|-----------|----------------|
|          | Gross Revenue       | Net Revenue | Rate Base | Rate of Return |

Present Rates - Per PUC Ex. 8 Appendix A-1

Desert

|                |          |          |           |       |
|----------------|----------|----------|-----------|-------|
| China Lake     | \$ 7,757 | \$ 1,690 | \$ 48,270 | 3.50% |
| Inyokern       | 15,741   | 2,393    | 45,709    | 5.24% |
| North Edwards  | 14,639   | 1,998    | 48,204    | 4.14% |
| Willow Springs | 185      | (1,868)  | 988       | -     |
| Fremont Valley | 1,824    | (1,792)  | 14,046    | -     |
| Subtotal       | 40,146   | 2,421    | 157,217   | 1.54% |

Resort

|              |        |       |        |       |
|--------------|--------|-------|--------|-------|
| Lake Hughes  | 10,665 | (921) | 32,801 | -     |
| Green Valley | 12,475 | 2,657 | 52,668 | 5.04% |
| Subtotal     | 23,140 | 1,736 | 85,469 | 2.03% |

Suburban

|               |          |         |         |       |
|---------------|----------|---------|---------|-------|
| Lancaster     | 16,487   | 2,492   | 69,124  | 3.61% |
| Leona Valley  | 18,533   | 2,226   | 138,434 | 1.61% |
| Subtotal      | 35,020   | 4,718   | 207,558 | 2.27% |
| Total Company | 98,306** | 8,875** | 450,244 | 1.97% |

Proposed Rates - Per PUC Ex. 8 Appendix A-1

Desert

|                |        |        |         |        |
|----------------|--------|--------|---------|--------|
| China Lake     | 10,876 | 3,806  | 48,270  | 7.88%  |
| Inyokern       | 25,921 | 6,950  | 45,709  | 15.20% |
| North Edwards  | 20,534 | 6,103  | 48,204  | 12.66% |
| Willow Springs | 305    | (358)  | 988     | -      |
| Fremont Valley | 2,560  | 11     | 14,046  | 0.08%  |
| Subtotal       | 60,196 | 16,512 | 157,217 | 10.50% |

Resort

|              |        |       |        |       |
|--------------|--------|-------|--------|-------|
| Lake Hughes  | 11,745 | 727   | 32,801 | 2.22% |
| Green Valley | 11,975 | 2,304 | 52,668 | 4.37% |
| Subtotal     | 23,720 | 3,031 | 85,469 | 3.55% |

Suburban

|               |         |        |         |        |
|---------------|---------|--------|---------|--------|
| Lancaster     | 27,131  | 9,035  | 69,124  | 13.07% |
| Leona Valley  | 30,519  | 10,193 | 138,434 | 7.36%  |
| Subtotal      | 57,650  | 19,228 | 207,558 | 9.26%  |
| Total Company | 141,566 | 38,771 | 450,244 | 8.61%* |

(Loss)

\* Without 10% Income Tax Surtax - 8.85%.  
 \*\* Number rounded in original Exhibit 8.

Gross Revenue, Net Revenue, Rate Base  
& Rate of Return by Districts

| District | Year 1968 Estimated |             |           |                |
|----------|---------------------|-------------|-----------|----------------|
|          | Gross Revenue       | Net Revenue | Rate Base | Rate of Return |

Recommended Rates - Per PUC Ex. 8 Appendix A-1

Desert

|                |          |          |           |        |
|----------------|----------|----------|-----------|--------|
| China Lake     | \$ 9,245 | \$ 2,802 | \$ 48,270 | 5.80%  |
| Inyokern       | 22,237   | 5,334    | 45,709    | 11.67% |
| North Edwards  | 17,451   | 4,214    | 48,204    | 8.74%  |
| Willow Springs | 257      | (619)    | 988       | -      |
| Fremont Valley | 2,175    | (312)    | 14,046    | -      |
| Subtotal       | 51,365   | 11,419   | 157,217   | 7.26%  |

Resort

|              |        |       |        |       |
|--------------|--------|-------|--------|-------|
| Lake Hughes  | 11,745 | 609   | 32,801 | 1.86% |
| Green Valley | 11,975 | 2,304 | 52,668 | 4.37% |
| Subtotal     | 23,720 | 2,913 | 85,469 | 3.41% |

Suburban

|               |            |        |         |        |
|---------------|------------|--------|---------|--------|
| Lancaster     | 22,864     | 7,167  | 69,124  | 10.37% |
| Leona Valley  | 25,715     | 7,856  | 138,434 | 5.67%  |
| Subtotal      | 48,579     | 15,023 | 207,558 | 7.24%  |
| Total Company | 123,664 ** | 29,355 | 450,244 | 6.52%* |

(Loss)

\* Without 10% Income Tax Surtax - 6.61%.  
\*\* Number rounded in original Exhibit 8.

With respect to the systemwide earnings data for the adjusted and estimated year 1968, both the applicant and the staff, for rate-making purposes, included \$9,000 of Dominguez' administrative expenses not actually charged to Antelope. Also, both the applicant and the staff applied an interest rate of 6-1/2 percent to noninterest bearing open account advances by Dominguez, the parent, to Antelope, the subsidiary. Such interest expense was included in Antelope's income tax calculations as a deduction from

Antelope's estimated taxable income at present and proposed rates for the year 1968 estimated, and was the basis for the staff's recommended rate of return of 6-1/2 percent on Antelope's 1968 rate base of \$431,380 as estimated by the staff in Revised Exhibit No. 6, later estimated in Exhibit No. 8 to be \$450,244. However, the staff's rate of return recommendation was not revised in Exhibits Nos. 8 and 8 Appendix A-1. ✓

Antelope contended that it would need from \$50,000 to \$100,000 of additional capital during the year 1969 for system improvements, including a new well in the Somerset area, and that it was necessary to have a healthy company in order to attract capital investment by lenders such as banks or purchasers of bonds. However, Antelope's only long-term debt comprises noninterest bearing advances from Dominguez, which has supported Antelope's operations in the anticipation of long-term growth and profitable systemwide operations.

The record shows that the cost to applicant of the instant application and proceeding for outside consulting engineering services, before the further hearing, was \$28,000.

Arguments of Counsel, and  
Staff Recommendations

Applicant's counsel argued that, despite the noninterest bearing character of Dominguez' advances to applicant, the only "cost of money" it would be appropriate for the Commission to consider is the cost of money to Dominguez, and that had Dominguez not advanced monies to applicant, the latter would have been

required to go into the open market at substantially higher interest rates resulting in higher costs of money and higher rate of return requirements than the 7.5 percent claimed by applicant. He further argued that while Exhibit No. 7 shows that some of the districts would earn a rate of return at the proposed rates higher than the overall rate of return requested by the applicant, the returns in the districts are affected by factors peculiar to those districts, such as the high use of water in the Somerset area of the Lancaster District, and the relatively low present plant investment per customer in Inyokern, which will probably be lowered by proposed additions to plant in each of said areas.

Applicant's counsel further argued that Dominguez' failure to disclose its financing plans to the Commission and obtain Commission approval of such plans, at the time it requested authority to acquire applicant, should have no effect on these proceedings. He stated, in his closing brief, that any requested approval for future financing, at a time when Dominguez was just taking over the operation, and before the future financial requirements were known or could be determined, would be purely speculative and could serve no reasonable purpose.

Finally, applicant's counsel argued that while, admittedly, the overall percentage increase in rates requested by the applicant in this proceeding is high, the magnitude of the requested increase should not in itself be determinative of the fairness of the request or the need for rate relief.



Just before concluding, he stated that applicant believed that the final test of a reasonable rate increase and the determination of the magnitude of the required increase should not be affected by the fact that the proposed increase is 70 percent, or 10 percent, or 100 percent of what the utility may have been charging under its present rates.

In his closing statement, counsel for the protestant, Somerset Property Owners, argued that Dominguez acquired all of applicant's stock in 1965; applicant then consisted of a number of scattered self-contained water service areas; subsequently, other separate systems were acquired by the applicant through stock acquisition and merger; the present system is made up of a number of self-contained systems scattered over a wide geological area and operating with a number of different rate schedules; applicant proposes uniform greatly increased rates applicable generally to all such areas; Dominguez acquired Antelope at a bargain with a view to long-range growth potential and earnings; Dominguez did not merge Antelope directly into the parent company, which would then have meant that applicant's earnings would have had but slight effect on the parent's large-scale operative showings; at the time of the acquisition of Antelope, and subsequent thereto, the Commission was not informed of Dominguez' financing plans which, since January 1, 1969, have included a charge of \$700 per month for administrative services and which may in the future include interest on advances made by the parent company (both imputed by the applicant and the staff in 1968 estimated earnings in Exhibits Nos. 4 and 6); Somerset

property owners are already paying high rates and are feeling the effects thereof on the salability of their property; the Commission has never had before it a more unusual type of rate increase application involving small diverse service areas of different income, cost, rate, and rate of return specifics and whereby a "rags to riches" type of approach has been sought to convert a long-range speculation into an immediately profitable venture, all in one short stroke, by a uniform schedule of greatly increased rates; and that to grant the application, insofar as the Somerset Protest Area was concerned, would mean simply that already high rates resulting in average annual billings of \$12 per month would become exorbitant and Somerset would be subsidizing Antelope, and, through it, the wealthy parent Dominguez for all of the negative and low revenue parts of the system Dominguez acquired through Antelope. He argued further that applicant and its parent Dominguez had been less than candid with the Commission, and that if the Commission had known that the plan to keep Antelope as a separate entity was premised on first, a long-range low initial cost speculative purchase, then a uniform high rate increase application in four years and, finally, charging costs of the parent back to Antelope to minimize its rate of return showing, it appeared to him unlikely that the acquisition of Antelope through stock purchase, rather than by merger into Dominguez, would ever have been granted in the first place.

As shown in paragraphs 7 to 10 of Exhibit No. 8, the staff engineer concluded that his recommended separate tariffs for the Lake Hughes and Green Valley, on the one hand, and the balance of the districts, on the other, should be authorized; the character of applicant's operations in the desert areas is similar and there are wide variations in rate base and rate of return which may change sharply depending on future construction; it would be undesirable to further segment the operation by districts; and that a 6.5 percent rate of return on the staff's estimate of applicant's overall 1968 rate base of \$450,244 should be authorized.

The staff engineer stated in Exhibit No. 8 Appendix A-1 that, because of the small number of customers located in each of the districts, any cost of service study is at best only a rough approximation. He did not feel that the rates of return derived from the study in said exhibit produced meaningful criteria for rate design in these small districts.

#### Findings

Based on the record of the original and further hearings, the Commission finds as follows:

1.a. Antelope Valley Water Company, a public utility water corporation, is a wholly owned subsidiary of Dominguez Water Corporation, also a public utility water corporation, which acquired it in 1965, including several district operating systems that Antelope had acquired or was ready to acquire, which were operating non-profitably because of water supply, terrain, customer density problems, and the condition of the water systems when acquired.

b. Antelope furnishes water service to approximately 1,135 customers in 10 operating districts scattered over areas in north (Lancaster-Somerset) and northwestern (Leona Valley, Green Valley, and Lake Hughes) Los Angeles County areas; the Willow Springs-Rosamond area, near the Kern-Los Angeles County border; the North Edwards-Fremont Valley areas in eastern and southeastern Kern County; and the China Lake and Inyokern areas in extreme north-eastern Kern County. Antelope also owns as a subsidiary, not involved in this application, the Kernville Domestic Water Company at Kernville in north central Kern County. Antelope's service headquarters are in Leona Valley, and its administrative headquarters are in Dominguez' Long Beach headquarters.

c. Dominguez has financed Antelope's operations and administers them. In acquiring Antelope, it alleged that it could make available to Antelope financial resources and a degree of managerial skill, continuity of personnel, and general level of experience and ability in the water utility industry which is not otherwise available to Antelope.

d. In October, 1968, Dominguez was granted a substantial rate increase providing it with a reasonable rate of return for four years. In May, 1969, it filed Application No. 51066 to increase rates to offset the costs of water; an Amendment filed in August, 1969, shows its rate of return for the adjusted year ended March 31, 1969 to be 7.04 percent at present rates.

e. Dominguez has financed Antelope with noninterest bearing advances, and has administered Antelope without charge.

f. Dominguez is the real party in interest in Antelope's application.

2.a. Antelope seeks to increase its rates for water service by approximately \$46,104, based on its adjusted operations for the year 1968 (Exhibit No. 7), to increase its rate of return from 1.53 percent at present rates (1.97 percent according to the Commission staff, Exhibit No. 8 Appendix A-1) to 6.30 percent at the proposed rates (8.61 percent according to the Commission staff).

b. Antelope proposes to establish a single schedule of tariffs applicable, systemwide, to all districts.

c. The result of applicant's proposal for systemwide tariffs would be to increase rates in Lancaster, Leona Valley, Willow Springs, and Inyokern by as much as 72 percent to 78 percent; to increase rates in China Lake, North Edwards, and Fremont Valley by as much as 47 percent, but to decrease most rates in Lake Hughes and Green Valley.

d. A report on the results of operations of the Lake Hughes District system, ordered by Decision No. 72293, to be filed by October 1, 1968, and extended by Decision No. 74397 to December 31, 1968, has not been received.

e. Arguments of applicant's counsel and the staff are not persuasive that the public interest requires that Antelope be authorized to file schedules of rates, the revenues from which would produce rates of return of 8.61, 7.5, 6.5, or 6.3 percent, as the case may be, in view of the impact on consumers which would result and further, in view of Antelope's still developmental nature. We are of the opinion, however, that an overall 6.0 percent rate of return will provide applicant with reasonable earnings in all districts and operating areas and enable applicant to finance adequately the anticipated growth in plant necessary for the area.

f. The Commission staff rate base, and other rate of return components, for the test year 1968 estimated, as shown in Exhibit No. 8 Appendix A-1, is reasonable for the purpose of this proceeding. The aforementioned 6 percent rate of return, when related to the staff's rate base, will develop net revenues sufficient to provide full compensation to Dominguez, the parent, for imputed administrative services' costs approximating \$9,000 annually and will permit applicant in the future to pay imputed interest to its parent on noninterest bearing advances.

g. A set of three meter tariff schedules applicable to Antelope's diverse operations -- desert, resort and suburban -- to more nearly equalize the impact of rate increases, is reasonable. A limited flat rate tariff will be authorized for Lake Hughes.

Conclusion

The Commission concludes that Antelope's application to increase its systemwide earnings should be granted in part and denied in part; that applicant's proposed systemwide tariff would be discriminatory in that it would place an excessive burden on certain of Antelope's district customers and insufficient burden on others; and applicant should be authorized to file three sets of tariffs applicable to its desert (China Lake, Inyokern, North Edwards, Fremont Valley, and Willow Springs) area; its resort (Lake Hughes and Green Valley) area; and its suburban (Lancaster and Leona Valley) areas.

The authorized rates will produce gross annual revenues of \$120,060, an increase of \$22,750, or 22.1 percent over present rates, but \$21,510 less than requested in the application.

The following tabulation compares charges for usage of 2,000 cubic feet under the present, proposed, staff recommended, and authorized rates:

Comparison of Present, Proposed,  
Staff Recommended and Authorized Rates  
for Usage of 2,000 Cubic Feet Per Month

| District                      | Per Meter Per Month |          |                   |            |
|-------------------------------|---------------------|----------|-------------------|------------|
|                               | Present             | Proposed | Staff Recommended | Authorized |
| China Lake                    | \$ 9.25             | \$13.55  | \$11.19           | \$11.24    |
| Inyokern                      | 7.81                | 13.55    | 11.19*            | 11.24      |
| North Edwards                 | 9.25                | 13.55    | 11.19             | 11.24      |
| Willow Springs                | 8.00                | 13.55    | 11.19             | 11.24      |
| Fremont Valley                | 9.25                | 13.55    | 11.19             | 11.24      |
| Lake Hughes                   | 14.10               | 13.55    | 13.55             | 13.55      |
| Leona Valley                  | 8.00                | 13.55    | 11.19             | 10.34      |
| Green Valley                  | 14.60               | 13.55    | 13.55             | 13.55      |
| Lancaster<br>(Incl. Somerset) | 8.00                | 13.55    | 11.19             | 10.34      |

\* Not mentioned in Appendix B of Exhibit No. 8, but presumed to be applicable.

The Commission further concludes that applicant should be directed to carry out the staff recommendations contained in Paragraph 42. a., b., and c., of Exhibit No. 6, revised.

O R D E R

IT IS ORDERED that:

1. Application No. 50234, as amended, of Antelope Valley Water Company is granted in part and denied in part, and applicant is authorized to file, after the effective date of this order, the revised schedules of rates as set forth in Appendix "A" attached hereto. Said rates shall be effective four days after the date of filing and shall apply only to service rendered on

and after said effective date. Such filing shall comply with General Order No. 96-A.

2. Applicant shall, beginning with the year 1969, determine depreciation accruals by the straight-line remaining life method using the rates set forth in Table 8-2 on page 45 of its Revenue Requirement Study, dated March, 1968.

3. Applicant shall install a booster pump to provide adequate service to 40324 North Calle Maceta De Flores and vicinity in its Green Valley District.

4. Applicant shall, within 60 days after the effective date hereof, install meters on all sources of supply and shall, within ten days thereafter, report to the Commission in writing its compliance herewith.

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

Dated at San Francisco, California,  
this 4th day of NOVEMBER, 1969.

William J. ...  
President

...  
...

...  
Commissioners



APPENDIX A  
Page 1 of 6

Schedule No. LA-1

(T)

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

A portion of the community of Lancaster and the community of Leona Valley and vicinity, Los Angeles County, as shown on maps filed as part of these tariffs.

(T)

(T)

RATES

| Quantity Rates: |   | <u>Per Meter</u><br><u>Per Month</u> |     |
|-----------------|---|--------------------------------------|-----|
| First           | 300 cu. ft. or less . . . . .           | \$3.60                               | (I) |
| Next            | 1,200 cu. ft., per 100 cu. ft. . . . .  | .42                                  | (I) |
| Next            | 1,500 cu. ft., per 100 cu. ft. . . . .  | .34                                  | (I) |
| Next            | 7,000 cu. ft., per 100 cu. ft. . . . .  | .27                                  | (I) |
| Over            | 10,000 cu. ft., per 100 cu. ft. . . . . | .19                                  | (I) |

Minimum Charge:

|     |                                |         |     |
|-----|--------------------------------|---------|-----|
| For | 5/8 x 3/4-inch meter . . . . . | \$ 3.60 | (I) |
| For | 3/4-inch meter . . . . .       | 4.35    | (I) |
| For | 1-inch meter . . . . .         | 5.85    | (R) |
| For | 1 1/2-inch meter . . . . .     | 9.75    | (I) |
| For | 2-inch meter . . . . .         | 13.25   | (I) |
| For | 3-inch meter . . . . .         | 21.00   | (N) |
| For | 4-inch meter . . . . .         | 32.00   | (N) |

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

APPENDIX A  
Page 2 of 6

Schedule No. IN-1

(T)

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

The communities of Inyokern, North Edwards, Fremont Valley, China Lake Acres, Willow Springs, Kern County; and Avenue E Lancaster, Los Angeles County and vicinities, as shown on maps filed as part of these tariffs.

(T)

(T)

RATES

| Quantity Rates:                              | <u>Per Meter</u><br><u>Per Month</u> |     |
|--|--------------------------------------|-----|
| First 300 cu. ft. or less . . . . .          | \$3.60                               | (I) |
| Next 1,200 cu. ft., per 100 cu. ft. . . . .  | .47                                  |     |
| Next 1,500 cu. ft., per 100 cu. ft. . . . .  | .40                                  |     |
| Next 7,000 cu. ft., per 100 cu. ft. . . . .  | .31                                  |     |
| Over 10,000 cu. ft., per 100 cu. ft. . . . . | .20                                  | (I) |

Minimum Charge:

|                                    |         |     |
|------------------------------------|---------|-----|
| For 5/8 x 3/4-inch meter . . . . . | \$ 3.60 | (I) |
| For 3/4-inch meter . . . . .       | 4.40    |     |
| For 1-inch meter . . . . .         | 6.00    |     |
| For 1 1/2-inch meter . . . . .     | 10.25   |     |
| For 2-inch meter . . . . .         | 14.25   |     |
| For 3-inch meter . . . . .         | 23.00   | (I) |
| For 4-inch meter . . . . .         | 35.00   | (N) |

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

APPENDIX A  
Page 3 of 6

Schedule No. GR-1A

(T)

ANNUAL METERED SERVICE

1  
(T)

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

(C)  
(C)

TERRITORY

The communities of Green Valley and Lake Hughes and vicinities, Los Angeles County.

(T)  
(T)

RATES

| Monthly Quantity Rates: |   | <u>Per Meter</u><br><u>Per Month</u> |     |
|-------------------------|---|--------------------------------------|-----|
| First                   | 300 cu. ft. or less . . . . .           | \$3.85                               | (I) |
| Next                    | 1,200 cu. ft., per 100 cu. ft. . . . .  | .60                                  | (R) |
| Next                    | 1,500 cu. ft., per 100 cu. ft. . . . .  | .50                                  | (R) |
| Next                    | 7,000 cu. ft., per 100 cu. ft. . . . .  | .35                                  | :   |
| Over                    | 10,000 cu. ft., per 100 cu. ft. . . . . | .21                                  | (R) |

  

| Annual Minimum Charge: |                                | <u>Per Meter</u><br><u>Per Year</u> |     |
|------------------------|--------------------------------|-------------------------------------|-----|
| For                    | 5/8 x 3/4-inch meter . . . . . | \$ 46.20                            | (I) |
| For                    | 3/4-inch meter . . . . .       | 58.20                               | (I) |
| For                    | 1-inch meter . . . . .         | 84.00                               | (R) |
| For                    | 1 1/2-inch meter . . . . .     | 144.00                              | (I) |
| For                    | 2-inch meter . . . . .         | 204.00                              | (N) |

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

Schedule No. CR-1A

ANNUAL METERED SERVICE  
(Continued)

(N)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(N)

APPENDIX A  
Page 5 of 6

Schedule No. LH-2 LRA (T)

LIMITED ANNUAL RESIDENTIAL FLAT RATE SERVICE (C)

APPLICABILITY

Applicable to limited flat rate residential water service furnished (C)  
on an annual basis. (C)

TERRITORY

Lake Hughes and vicinity, Los Angeles County.

RATES

|   | <u>Per Service Connection<br/>Per Year</u> |     |
|---|--|-----|
| For a single-family residential unit,<br>including premises . . . . .   | \$48.00                                    | (I) |
| For each additional single-family residential<br>unit on the same premises and served from the<br>same service connection . . . . . | \$48.00                                    | (I) |

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility (C) so elects, a meter shall be installed and service provided under Schedule GR-1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day. (C)

(Continued)

Schedule No. LH-2 IRA

(T)

LIMITED ANNUAL RESIDENTIAL FLAT RATE SERVICE

(C)

SPECIAL CONDITIONS—Contd.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

5. Service under this schedule shall be limited to the premises being served hereunder as of the effective date of this tariff sheet.

(C)