

ORIGINAL

Decision No. 77948

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THUNDERBIRD WATER COMPANY under Section 454 of the Public Utilities Code for authority to increase its public utility water rates, and for approval of a water sale contract by and between THUNDERBIRD WATER COMPANY and COACHELLA VALLEY COUNTY WATER DISTRICT.

Application No. 51930  
(Filed June 1, 1970)

OPINION AND ORDER

Decision No. 72405, dated May 16, 1967, in Application No. 48702 established rates for applicant's general metered service. In said decision the Commission found a rate of return of 7.5 percent on applicant's adjusted rate base of \$174,600 was fair and reasonable. Applicant requests authority to increase its rates as follows:

| <u>Quantity Rates:</u> |   | <u>Per Meter<br/>Present</u> | <u>Per Month<br/>Proposed</u> |
|------------------------|---|------------------------------|-------------------------------|
| First                  | 500 cubic feet or less . . . . .          | \$ 2.20                      | \$ 2.90                       |
| Next                   | 4,500 cubic feet per 100 cubic feet. . .  | .25                          | .30                           |
| Next                   | 15,000 cubic feet per 100 cubic feet. . . | .14                          | .17                           |
| Over                   | 20,000 cubic feet per 100 cubic feet. . . | .08                          | .11                           |
| <u>Minimum Charge:</u> |   |                              |                               |
| For                    | 5/8 x 3/4-inch meter . . . . .            | \$ 2.20                      | \$ 2.90                       |
| For                    | 3/4-inch meter . . . . .                  | 3.00                         | 3.50                          |
| For                    | 1-inch meter . . . . .                    | 5.00                         | 5.00                          |
| For                    | 1½-inch meter . . . . .                   | 7.00                         | 7.50                          |
| For                    | 2-inch meter . . . . .                    | 10.00                        | 10.00                         |
| For                    | 3-inch meter . . . . .                    | 20.00                        | 20.00                         |
| For                    | 4-inch meter . . . . .                    | 30.00                        | 30.00                         |
| For                    | 10-inch meter standby service . . . . .   | -                            | 35.00                         |

Applicant has a contract agreed rate, on file with the Commission, whereby applicant and the Coachella Valley County Water District (successor to Palm Valley Water Company) interchange water at 8 cents per 100 cubic feet on an emergency stand-by basis (Decision No. 55883, dated December 3, 1957, in Application No. 37856). Applicant and the District propose to increase said rate to 11 cents per 100 cubic feet.

Copies of the application were served in accordance with the Commission's rules of procedure. There were no protests.

As of December 31, 1969, applicant served approximately 259 metered customers in an area 10 miles southeast of the City of Palm Springs in Riverside County.

The domestic consumers have large homes and grounds. The average annual consumption per customer is approximately 80,000 cubic feet or 6,666 cubic feet per month. At present rates the average consumer pays \$15.78 per month for water. At the applicant's proposed rates he would pay \$19.23 for the same amount of water.

Comparisons of applicant's results of operations for the year 1970 at present and proposed rates, as estimated by the applicant and the staff and shown on Exhibit No. 1, are summarized as follows:

| Item                  | Present Rates |           | Applicant's Proposed Rates |           |
|-----------------------|---------------|-----------|----------------------------|-----------|
|                       | Applicant     | Staff     | Applicant                  | Staff     |
| Operating Revenues    | \$ 51,760     | \$ 51,760 | \$ 64,380                  | \$ 64,380 |
| <u>Deductions:</u>    |               |           |                            |           |
| Power                 | 7,500         | 7,890     | 7,500                      | 7,890     |
| Other Expenses        | 23,910        | 23,910    | 23,910                     | 23,910    |
| Total Operating Exp.  | 31,410        | 31,800    | 31,410                     | 31,800    |
| Depreciation Exp.     | 9,580         | 9,580     | 9,580                      | 9,580     |
| Property Taxes        | 6,180         | 6,180     | 6,180                      | 6,180     |
| State Corp. Fran. Tax | 100           | 100       | 590                        | 630       |
| Federal Income Tax    | -             | -         | 1,740                      | 1,860     |
| Total Deductions      | 47,270        | 47,660    | 49,500                     | 50,050    |
| Net Revenue           | 4,490         | 4,100     | 14,880                     | 14,330    |
| Rate Base             | 188,500       | 188,500   | 188,500                    | 188,500   |
| Rate of Return        | 2.4%          | 2.2%      | 7.9%                       | 7.6%      |

The staff (Hydraulic Branch) checked applicant's operations and results of operations and made a report which is received herein as Exhibit No. 1.

The staff recommends that applicant be authorized to revise its contract with the Coachella Valley County Water District as requested.

The staff, in its report, states that applicant does not propose proportionate increases in the minimum charges for meter sizes larger than 3/4-inch, and requests a new minimum rate of \$35 for 10-inch meters. The staff alleges that the minimum charges requested are inadequate. It recommends that the minimum charges for all meters be increased approximately in the same ratio as the increase for 5/8 x 3/4-inch meters. The staff stated that in addition the minimum charge for 10-inch meters should be \$120. The staff alleges that although applicant has indicated that service through the 10-inch meters is for standby purposes only, it occasionally delivers water to Thunderbird's golf course for short periods of time through those meters and that if an adequate minimum charge is not established, the result would be that Thunderbird would receive service at high rates of flow for short periods and it would not pay for the idle time of the plant held in readiness to serve.

The staff requested that applicant be permitted to increase its rates to enable it to realize the 7.5 percent rate of return found reasonable by Decision No. 72405, supra. Such return according to the staff's calculations, would be realized if applicant is permitted to have \$64,120 in gross revenues on its rate base of \$188,500. The staff submitted rates which should enable applicant to realize such rate of return. The applicant has advised the Commission that it will accept the Commission's decision on the application. This being so, a public hearing is not necessary.

Findings and Conclusions

The Commission finds that:

1. The interchange agreement attached to the application as Exhibit "A" conforms to the requirements of General Order No. 96-A.
2. Applicant is in need of and entitled to increased revenues.
3. The rates requested by applicant would give it a rate of return of 7.6 percent on its rate base of \$188,500.
4. The staff has recommended rates which would give the applicant gross operating revenues of \$64,120 on its rate base of \$188,500. Applicant's rate of return on said rate base with the staff's recommended rates will be 7.5 percent. Such rate of return is fair and reasonable as is the said rate base.
5. The staff's rate spread and its proposed rates are reasonable and should be adopted.
6. 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.

We conclude that the application should be granted as modified herein.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order applicant, Thunderbird Water Company, is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be 10 days after applicant has submitted proof to the Commission, in writing, that written notice of the effective date of the revised rate schedule has been mailed to all general metered consumers served by applicant.

2. The applicant is authorized to execute the contract with the Coachella Valley County Water District in the form attached to the application as Exhibit "A".

3. The applicant shall file with the Commission within 30 days after the effective date of this order two certified copies of the agreement as executed together with a statement of the effective date thereof.

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

Dated at San Francisco, California, this 10th day of NOVEMBER, 1970.

\_\_\_\_\_  
Chairman  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

-6- Commissioners  
Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.  
Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

## APPENDIX A

## Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Thunderbird Country Club, and vicinity, located 10 miles south of Palm Springs on Highway 111, Riverside County.

RATES

## Quantity Rates:

|   | Per Meter<br>Per Month |     |
|---|------------------------|-----|
| First 500 cu.ft. or less .....          | \$ 2.90                | (I) |
| Next 4,500 cu.ft., per 100 cu.ft. ....  | .29                    |     |
| Next 15,000 cu.ft., per 100 cu.ft. .... | .16                    |     |
| Over 20,000 cu.ft., per 100 cu.ft. .... | .11                    | (I) |

## Minimum Charge:

|                                |         |     |
|--------------------------------|---------|-----|
| For 5/8 x 3/4-inch meter ..... | \$ 2.90 | (I) |
| For 3/4-inch meter .....       | 3.50    |     |
| For 1-inch meter .....         | 5.50    |     |
| For 1 1/2-inch meter .....     | 10.00   |     |
| For 2-inch meter .....         | 14.00   |     |
| For 3-inch meter .....         | 23.00   |     |
| For 4-inch meter .....         | 35.00   | (I) |
| For 10-inch meter .....        | 120.00  | (N) |

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