

ORIGINAL

Decision No. 83714

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Property Owners at Morongo Valley, California,

Complainant,

-vs-

THE SOUTHERN CALIFORNIA
WATER COMPANY,

Defendant.

Case No. 9644

(Filed December 17, 1973)

Ralph F. Shideler, for Morongo Valley
Property Owners Association, complainant.
O'Melveny & Myers, by Harold M. Messmer, Jr.,
Attorney at Law, for Southern California
Water Company, defendant.
Wallace F. Epolt, for the Commission staff

O P I N I O N

Twenty-six members of the Morongo Valley Property Owners Association (Association) signed statements alleging that Southern California Water Company's (SCWC) Morongo Valley rates are excessive and requested a hearing for the purpose of effecting a rate decrease. In addition to protesting the level of rates, some of the Association members protested the quality of water and SCWC's current maintenance practices.

Public hearing was held before Examiner Johnson at Morongo Valley on May 30, 1974 and the matter was submitted subject to late-filed exhibits due July 1, 1974.

Complainant's Position

SCWC's serviceman responding to a subpoena issued at the request of Association, testified that SCWC has no local

telephone listing; that he makes from one to 12 emergency repairs to water mains a week; that there are some exposed mains that feed only hot water in the summertime; and that he backflushes the lines every week.

The fire chief of the Morongo Valley Fire Department, also appearing in response to a subpoena, testified that, in his opinion, he would have inadequate water supply and pressure from an available fire hydrant to fight a serious fire and that to avoid collapsing mains he has discontinued using a hard suction on the pumper.

Eleven Association members presented testimony alleging the following:

1. The quality of the water is poor in that it is often milky and slimy and bad-tasting.
2. SCWC willfully wastes excessive water by failing to replace worn-out pipes and charges the customers for this wasted water.
3. Water mains located above ground supply only hot water in the summertime.
4. When neighbors are using water, the water pressure drops to the point that very little water flows.
5. Prospective customers of SCWC, unfamiliar with the area, have great difficulty in contacting SCWC's personnel.
6. Many customers object to paying a service charge and would rather have a minimum charge rate.
7. The water rates appeared excessively high when compared to other communities.

Defendant's Position

SCWC presented testimony through two of its vice presidents who alleged that:

1. Since the acquisition of the Pacific Water Company System in 1962 SCWC has been systematically replacing varying amounts of corroded steel water mains with asbestos cement pipe.

2. Since 1962, SCWC has replaced 19,650 feet of main at a cost of \$111,721 and installed water supply improvements totaling \$112,532 in the Morongo Valley area.

3. The State Health Department requires a specified number of water samples be tested by a certified laboratory for color, odor, taste, and turbidity and that the Morongo Valley water fully complies with all the Health Department requirements.

4. To eliminate most of the badly corroded and leaking main would require approximately 25,000 feet of main costing about \$140,000. This investment would trigger a rate increase of approximately \$3 a month a customer and would not eliminate the necessity of a continuing main replacement program.

5. The Desert District 1973 rate of return was 4.4 percent, the lowest of any of SCWC's districts. The rate of return was 5.11 percent for the Morongo Valley area and 3.14 percent for the Victorville area as compared to this Commission's finding that a rate of return of 6.36 percent should be earned in the Morongo area and seven percent should be earned in the Victorville area.

6. Recently authorized rates for other SCWC districts were designed to provide a 7.9 percent rate of return, much higher than experienced or authorized for the Morongo Valley area.

7. A service charge is basically to cover costs that the company incurs that are not directly related to the sale of water.

Discussion

The primary issues requiring resolution in this proceeding are the reasonableness of the existing rates, the effectiveness of SCWC's present maintenance practices, the quality of the water being distributed, and the ability of present or prospective water customers to contact SCWC's personnel.

The record shows that the Desert District 1973 rate of return of 4.4 percent was the lowest rate of return realized by any of SCWC's 16 operating districts. The Morongo Valley area rate of return of 5.11 percent is less than the rate of return of 6.36 percent found reasonable by Decision No. 79380 dated November 23, 1971 in Application No. 51987 for a general increase in SCWC's Desert District.

The record shows that since SCWC's acquisition of the Pacific Water Company in 1962, SCWC has been systematically replacing varying amounts of water main and has installed bands throughout the balance of the system where needed to stop leaks. According to the record the alternative to such a procedure would be to replace approximately 25,000 feet of main at a cost of approximately \$140,000. Even if this were done, there would still be a need for further continuing main replacement. The fixed costs associated with the \$140,000 investment would substantially exceed the savings in maintenance costs and water losses and would necessitate SCWC's seeking rate relief of approximately \$3 per month per customer to compensate them for these additional costs. SCWC's management believes that continuation of the present program of systematic main replacement is more beneficial to the ratepayer and company than the alternative just discussed.

At the hearing, SCWC was requested to file as late-filed Exhibit 3 a statement summarizing conditions complained of by the various witnesses. This exhibit shows that the San Bernardino County Health Department has never collected a positive bacteriological sample in the twelve years that SCWC has operated the Morongo Valley system; that the odor and taste of water provided by SCWC is generally good and that those incidents of odor problems were caused by plumbing work and not SCWC's water; that complained of low pressure incidents were caused by inadequate customer facilities rather than by poor company lines; and that water pressure on company mains was good at all locations checked.

SCWC's vice president testified that a local telephone listing was needed and would be installed. Late-filed Exhibit 3 indicates that such a telephone listing was established (714-363-6615) and that appropriate notices of the number were posted and published.

Findings

1. SCWC's earnings in its Desert District, including Morongo Valley tariff area, do not exceed the last authorized rate of return.
2. SCWC's present practice of limited planned main replacement in lieu of a major one-time main replacement project is not unreasonable and has relatively less impact on the rate payer.
3. The quality of water distributed in the Morongo Valley area is generally good.
4. There was a need for a local SCWC telephone number for contacting utility representatives which was met by the installation of an appropriate telephone.

The Commission concludes that the relief requested should be denied.

O R D E R

IT IS ORDERED that the relief requested is denied.

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

Dated at San Francisco, California, this 13th day of NOVEMBER, 1974.

William L. Skaggs
President
William Skaggs Jr.

Robert E. McLeod
Commissioners