

**ORIGINAL**

Decision No. 43541

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Walter E. & Althea V. Shull for order  
authorizing increase in water rates.

Application No. 30485

Walter E. Shull, Jr., and Althea V. Shull  
in propria personae; and B. C. Leech, Sr.,  
interested party.

O P I N I O N

Walter E. Shull, Jr., and Althea V. Shull, doing business as Good Hope Water Company, own and operate a water system serving domestic customers in unincorporated territory in the vicinity of Perris, Riverside County, California, and filed the above-entitled application July 12, 1949, seeking authority to establish an increased schedule of rates.

A public hearing was held before Examiner Warner in Perris on November 2, 1949.

Good Hope Water Company operates in the Good Hope Gun and Country Club Heights about four miles southwest of Perris and one mile west of Highway 395 in Riverside County. The area served is a portion of a subdivision originally developed in 1924 by J. O. Walser.<sup>1/</sup> The water company was sold to applicants in 1947, the sale being authorized by Decision No. 40347, dated June 3, 1947, and Decision No. 41343, dated March 23, 1948; both decisions being in Application No. 28424.

<sup>1/</sup> Application for issuance of a certificate of public convenience and necessity granted, and present rates set by Decision No. 25308, in Application No. 18298, dated October 31, 1932.

The water system consists of a spring and a well with electrically driven pumps located therein. A gasoline-driven pump is used as a standby. A 15,000-gallon concrete reservoir is located 30 feet higher than and in the general vicinity of the well and spring. The system is entirely gravity flow. There are 15 customers.

The aforementioned spring, which constitutes the principal source of supply, overflows during winter months, but the water level subsides during summer and fall months. The evidence shows that the level has dropped eight feet this season and is at the lowest point in its history. Mr. Shull testified that he has had difficulty keeping the reservoir filled during the summer months due to the lack of water supply and also due to the habits of usage of some of the customers. The system is entirely metered and there are some restrictions as to usage during peak periods.

The record shows that the spring must be deepened and that will necessitate the bringing in of equipment, and an expenditure of funds.

A Commission staff engineer submitted a report of the operations for the year 1948 based on present rates and rates proposed in the application. The earnings are summarized in the following tabulation:

	<u>Year 1948</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenue from sale of water	\$ 373	\$ 670
Operating expenses	320	320
Taxes	12	40*
Depreciation	<u>117</u>	<u>117</u>
Total expenses	449	477
Net Income	(76)	193

\*Including federal income tax.

(Red Figure)

Appraised fixed capital	3,395	3,395
Working cash	<u>50</u>	<u>50</u>
Undepreciated rate base	3,445	3,445
Accrued depreciation	<u>1,088</u>	<u>1,088</u>
Depreciated rate base	2,357	2,357
Rate of Return		8.2%

The operating loss indicated is less than reported by applicants because capital charges were erroneously included in operating expenses. The rate base was determined from an appraisal of the properties made by the Commission's engineer.

The record shows that applicants have never received any compensation for their operation of the water company. Under the proposed rates, the record shows applicants can finance the deepening of the spring, and install a 250-gallon storage tank to serve one customer whose property is located above the level of the reservoir.

B. C. Leech, Sr., testified that he had installed two wells on his property, and he is now completely independent of the water company. Prior to that time his consumption accounted for over 20% of the company's total. He stated that he believed the company should be put in a position to operate on a reasonably sound financial basis, even though it meant increased rates, but he further stated that he believed such operations should provide adequate service.

The Commission is of the opinion that applicants should take whatever practical steps they can immediately to improve operations of the water system, make improvements to the spring, and install the storage tank as proposed.

The record shows that the average bill for 1948 was \$2.35 per month per customer and this would be increased to \$3.90 per customer per month under the proposed rates. However, it should be noted that the adjusted 1948 expenses as shown herein did not include normal repairs to the distribution system and source of water supply, and, that adjusted 1948 operating expenses did not include reasonable remuneration to the operators for their services. If such additional expenses were included, the net profit under the proposed rates would be reduced and the rate of return would be less than 6%. It is concluded, therefore, that the proposed rates would not produce an excessive rate of return, and the rates as proposed will be ordered herein.

O R D E R

Walter E. Shull, Jr., and Althea V. Shull, doing business as Good Hope Water Company, having applied to the Commission for an order authorizing increase in water rates and charges, a public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicants are authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96, a schedule of rates shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after December 1, 1949.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 22nd day of November, 1949.

W. E. Shull, Jr.  
Althea V. Shull  
Walter E. Shull, Jr.  
Althea V. Shull  
Walter E. Shull, Jr.  
Althea V. Shull  
Commissioners.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service.

TERRITORY

Within the authorized service area.

RATES

Quantity Charge:	Per Meter Per Month
First 500 cubic feet or less . . . . .	\$2.00
Next 500 cubic feet per 100 cubic feet . .	.20
Next 1,000 cubic feet per 100 cubic feet . .	.18
Over 2,000 cubic feet per 100 cubic feet . .	.15
Minimum Charge:	
5/8-inch meter. . . . .	\$2.00

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