

ORIGINALDecision No. 55562

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)	
J. E. SHOPE and EVA J. SHOPE,)
individuals, doing business as)
YERMO WATER COMPANY, for an order)
authorizing increases in water)
rates and the filing of tariff)
schedules effecting the same.)

Application No. 38947

J. E. Shope in propria persona and John A. Cunningham,
water utilities consultant, for applicant.
R. V. Cooley, E. J. Slaten, D. H. Schmitt, in propria
personao, protestants.
J. J. Roddy for the Commission staff.

O P I N I O N

J. E. Shope and Eva J. Shope, individuals, doing business as Yermo Water Company, by the above-entitled application filed March 27, 1957, seek authority to increase rates for water service, in the vicinity of the town of Yermo, San Bernardino County, in accordance with the proposed schedules of rates for general metered and general flat rate service attached to the application as Exhibit "C". The estimated increase in rates would produce \$1,260 of additional revenue, based on the estimated operations for the year 1957.

A public hearing was held before Examiner Stewart C. Warner on July 24, 1957, at Yermo. Three consumers protested the granting of the application.

General Information

Applicants' present rates were established by Decision No. 42197, dated November 3, 1948, in Application No. 29262, as amended.

Applicants' water system was installed by Thomas O. Williams in 1928 to serve two subdivided tracts of land in Yermo, San Bernardino county. Applicants acquired the water system in 1947 from the widow of said Thomas O. Williams.

Applicants' sources of water supply are two wells; one, 157 feet deep, the other, 82 feet deep. The deeper well is equipped with a pump driven by a 7½ horsepower motor with a production capacity of 170 gallons per minute. Said pump and motor discharge water to a 10,000-gallon elevated tank, from which water is delivered to two 4,000-gallon tanks, and from which two booster pumps pump water into the distribution system. The most shallow well is equipped with a pump driven by a 3 horsepower motor with a production capacity of 20 gallons per minute. Water from this well is pumped into a pressure tank, and thence into the distribution system. Applicants have installed a water treatment mechanism which is claimed to improve the quality of the water by reducing the hardness through the Ejax method.

Applicants were furnishing water service to an average of 84 metered customers, 5 flat rate customers, and 7 fire hydrants during the year 1956, and they estimated an average increase of 2 new customers for the year 1957.

Rates

The following tabulation is a comparison of applicants' present rates, which have been in effect since December 1, 1948, with their proposed rates:

Quantity Rates:		<u>Per Meter</u>	<u>Per Month</u>
		<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
First	800 cubic feet, or less	\$2.70	\$3.00
Next	700 cu. ft., per 100 cu.ft.	.25	.35
Next	500 cu. ft., per 100 cu.ft.	.25	.30
Next	500 cu. ft., per 100 cu.ft.	.15	.30
Next	2,500 cu. ft., per 100 cu.ft.	.15	.25
Next	5,000 cu. ft., per 100 cu.ft.	.10	.20
Over	10,000 cu. ft., per 100 cu.ft.	.10	.15

The record shows that the average monthly consumption for the year 1956 was 1,540 cubic feet, and the present monthly charge for such average usage was \$4.45; under the proposed rates such monthly charge would be \$5.45

Basis of Application

Applicants based their application for an increase in rates for their water service on the allegation that their earnings for the year 1957, estimated at present rates, will produce an insufficient rate of return.

Earnings

Applicants' water utilities consultant submitted a report (Exhibit No. 1) on applicants' earnings for the years 1957 and 1958, estimated, based on present and proposed rates, and included factual data for the years 1954, 1955, and 1956. Exhibit No. 2 is the Commission staff's report of applicants' results of operations for the recorded and for the adjusted year 1956 and the estimated year 1957, the two years at both present rates and those proposed by applicants. The earnings

information contained in Exhibits Nos. 1 and 2 for the year 1957, estimated, at present and proposed rates is summarized in the following tabulation:

Item	SUMMARY OF EARNINGS			
	Year 1957 Estimated			
	Present Rates		Proposed Rates	
	Per Co. Ex. 1	Per PUC Ex. 2	Per Co. Ex. 1	Per PUC Ex. 2
Operating Revenues	\$ 4,881	\$ 4,970	\$ 6,131	\$ 6,130
Operating Expenses	4,525	3,480	4,525	3,480
Taxes	199	275	199	530
Depreciation	683	692	683	692
Total Expenses	5,407	4,447	5,407	4,702
Net Revenues	(526)	423	724	1,428
Rate Base	16,424	16,230	16,424	16,230
Rate of Return (Red Figure)	-	2.6%	4.41%	8.8%

The only significant differences between the estimates submitted by the applicants and the staff are in the estimated reasonable expense for the rental and operation of the Ejax water treatment equipment, and applicants' estimate of Insurance Expense, charged to Account 790.

While it appears that applicants have contracted for an expense of approximately \$50 a month for the use of the Ejax equipment to treat their sources of water supply, it appears from the record that consumers' operations of cesspools and septic tanks are benefited by the treatment effected by the Ejax method to the water supply in the Yermo desert area. It further appears that the consumers' use of the quantity of soap and detergents is reduced by the treated water. The amount included by applicants' in their estimates of operating expenses will be and are hereby adopted.

No specific analysis or testimony is of record regarding charges to the Account 790, Insurance, but the annual

amount included in Exhibit No. 1 of \$355 does not appear to be excessive for this proceeding, and will be and is adopted for this proceeding.

Staff Recommendations

The staff recommended that applicants meter all consumers by December 31, 1957, and that only a temporary flat rate schedule be authorized for their consumers presently receiving flat rate service until meters are installed, and in no event to continue beyond December 31, 1957. Applicants agreed, on the record, and testified, that they intended to meter all services.

The staff made other recommendations covering depreciation practices and the filing of up-to-date rules and maps.

Protests By Consumers

The three consumers who protested the application stated that they could not afford to pay more for water service, and that they believed that the present rates were adequate.

Findings and Conclusions

From a careful review of the record, the Commission finds as a fact and concludes that applicants are in need of financial relief, and that the rates proposed in the application would not produce an excessive rate of return for the year 1957.

The order which follows will authorize applicants to file the schedules of rates proposed in the application, which it is estimated, will produce \$6,131 for the year 1957. When total expenses of \$5,407 are deducted from such gross

revenues, net revenues of \$724 will result. When such net revenues are related to the average depreciated rate base of \$16,424, a rate of return of 4.41% will result. This rate of return and its components are found to be just and reasonable.

The Commission finds as a fact that the increases in rates and charges authorized herein are justified and that present rates insofar as they differ from those herein prescribed will, for the future, be unjust and unreasonable.

Applicants will be ordered hereinafter to place meters on all consumers' water service connections and to file up-to-date rules and maps with the Commission.

O R D E R

Application as above entitled having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That J. E. and Eva J. Shope, individuals, doing business as Yermo Water Company, be and they are authorized to file in quadruplicate with the Commission, after the effective date of this order, in accordance with the requirements of General Order No. 96, the schedules of rates shown in Appendix A, attached hereto, and on not less than ~~five days~~ ^{five days} notice to the Commission and to the public to make such rates effective for water service furnished on and after October 1, 1957.
2. That J. E. and Eva J. Shope, within forty days after the effective date of this order, shall file in quadruplicate with this Commission rules governing customer relations revised to reflect present-day operating practices, together with four copies of a tariff service area map, acceptable to the Commission and in accordance with the requirements of General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. That applicants shall file, within forty days after the rates and rules authorized herein become effective, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territories served, the production, storage, and distribution facilities and the various water utility properties of the applicants.
4. That applicants shall continue to determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.1%, and they shall review the depreciation rate, using a straight-line remaining life method, whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years. Applicants shall revise the above composite rate conforming with such reviews, and shall submit the results of such reviews to the Commission.
5. That applicants shall place meters on all consumers' water service connections by December 31, 1957, and shall, within thirty days after completing the placing of such meters, but not later than January 31, 1958, submit a report in writing to the Commission of its compliance herewith.

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

Dated at San Francisco, California, this 10th day of SEPTEMBER, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tracts Nos. 2459 and 2192, and vicinity, in the unincorporated community of Yermo, San Bernardino County.

RATES

Per Meter
per Month

Quantity Rates:

First	800 cu.ft. or less	\$ 3.00
Next	700 cu.ft., per 100 cu.ft.35
Next	1,000 cu.ft., per 100 cu.ft.30
Next	2,500 cu.ft., per 100 cu.ft.25
Next	5,000 cu.ft., per 100 cu.ft.20
Over	10,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.00
For	3/4-inch meter	4.00
For	1-inch meter	5.00
For	1-1/2-inch meter	8.00
For	2-inch meter	12.00

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

APPENDIX A
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Schedule No. 2LX

LIMITED TEMPORARY FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

Tracts Nos. 2459 and 2192, and vicinity, in the unincorporated community of Yermo, San Bernardino County.

RATES

	<u>Per Service Connection per Month</u>
For 3/4-inch connection	\$ 4.00
For 1-inch connection	8.00
For 1 1/2-inch connection	14.00
For 2-inch connection	24.00

SPECIAL CONDITIONS

1. Service under this schedule will be continued to customers served hereunder as of the effective date of this tariff sheet, and until such time as meters are installed. Service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.

2. This schedule will be effective only to and including December 31, 1957, and will thereafter be withdrawn.