

ORIGINAL

Decision No. 56317

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
GILBERTA ALDERMAN HARMON, ROBERT LEROY)
HARMON, JR., and HUGH WILLIAM HARMON,)
owners of, as tenants in common, and)
doing business as THERMAL WATER SYSTEM,))
for an order authorizing increases in)
water rates and the filing of tariff)
schedules effecting the same, and)
authorizing the entry of a historical)
cost appraisal of its utility plant)
and depreciation reserve upon its)
books of account.)

Application No. 39184

John A. Cunningham, for applicant.
Dr. Clair S. Johnson, interested party.
C. F. Clark, for the Commission staff.

O P I N I O N

Public hearing was held in this matter before Examiner Grant E. Syphers at Thermal, California, on January 21, 1958. It is now ready for decision.

The Thermal Water System is owned by a partnership consisting of Gilberta Alderman Harmon and her two sons, Robert Leroy Harmon, Jr., and Hugh William Harmon. The two sons are not active in the operation of the business and it is, in fact, managed and operated by Mrs. Harmon. Additionally the company pays \$50 a month to a serviceman and occasionally hires outside labor in connection with repairs and maintenance.

The area served is the unincorporated community of Thermal and at the time of the hearing the company had 108 customers. Of these, 100 receive water through meters, and eight do not. Of the

eight unmetered services four are company owned. In other words, the owners of the water company also own and operate other properties, including the Thermal Hotel.

The utility source of water consists of two wells, each equipped with a 7-1/2 horsepower pump. Adjoining the wells is a 5,000-gallon horizontal pressure tank and a 1,000-gallon tank which is used as a sand trap.

In the instant application authority is requested to increase rates as set out therein.

The evidence presented at the hearing discloses that the company is not now, nor has it been for the past ten years, receiving a sufficient return on its investment. As a matter of fact, the company estimates show that it now is operating at a loss; whereas, the staff estimates disclose that for 1957 the company realized a net return of only \$26. Accordingly, on this record we find that the applicant company is entitled to some rate relief. It should be noted in passing that it has not received any rate increase since December 31, 1923.

The testimony presented by the applicants and by the Commission's staff discloses the following estimated results of operations:

<u>Item</u>	<u>Estimates of Applicants</u>			
	<u>1957</u>		<u>1958</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 5,765	\$ 8,372	\$ 5,925	\$ 8,605
Expenses	6,504	6,904	6,656	7,072
Net Revenues	(739)	1,468	(731)	1,533
Average Depreciated Rate Base	25,156	25,156	25,610	25,610
Rate of Return	-	5.84%	-	5.99%

(Red Figure)

Estimates of PUC Staff

<u>Item</u>	<u>1957</u>		<u>1958</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 5,300	\$ 7,680	\$ 5,400	\$ 7,830
Expenses	5,274	5,777	5,341	5,856
Net Revenues	26	1,903	59	1,974
Average Depreciated Rate Base	22,150	22,150	22,570	22,570
Rate of Return	0.12%	8.59%	0.26%	8.75%

An analysis of these two estimates discloses that the principal differences arise from the allowances made in the rate base for materials and supplies, and the allowances made in the expense accounts for the salary of Mrs. Harmon as manager of the company, as well as the resulting differences in payroll taxes and other items.

The company requests an allowance of \$2800 for materials and supplies; whereas, the staff suggests \$200. The company contends that it is necessary to maintain two additional pumps for standby in case of fire hazard or break down of the system. The staff's estimate made no allowance for these items. The evidence discloses that each of the two wells has a different type pump and accordingly two spare pumps are needed, if there is to be any standby equipment. Likewise, the company has no storage reservoir and is the only source of water which could be used in case of a fire. It should be noted at this point that the company maintains five fire hydrants for which it receives no income. From this evidence we find that the estimate of the company for materials and supplies is reasonable and accordingly will be allowed.

It should be noted that an appraisal of applicants' properties as of July 31, 1956, was relied upon by both the applicants

and the staff in the determination of the rate base. Authority is requested in this proceeding to place this appraisal on the books of the company. The evidence supports this request and it will be granted.

The second major difference lies in the fact that the company requested an allowance of \$150 a month for the manager's salary, whereas the staff allowed \$100. On the record it appears that the company's request is not unreasonable.

There was no opposition to the proposed rate increase by any party. The only testimony presented was that of the company and that of the staff. On this record we find that the rates proposed by applicants are justified and that present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable.

As previously noted, there are eight unmetered services being furnished by applicants; four of these are to properties owned and controlled by the applicants, and four to other users. The rates proposed to these properties are based upon the estimated use by these consumers. The manager of the applicant company agreed to install meters for all of the unmetered services except the hotel. The staff recommended that meters be installed for all services. This latter recommendation appears to be reasonable and will be incorporated in the ensuing order.

O R D E R

Application as above entitled having been filed, a public hearing having been held thereon, the Commission being fully advised in the premises and having found that the proposed rates are justified,

IT IS ORDERED:

(1) That Gilberta Alderman Harmon, Robert Leroy Harmon, Jr., and Hugh William Harmon, copartners doing business as the Thermal Water System, are authorized to file in quadruplicate with this Commission after the effective date of this order, in conformance with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A and, on not less than five days' notice to the Commission and the public, to make said rates effective for all service rendered on and after April 1, 1958.

(2) That beginning with the year 1957, the applicants shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.6 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method when substantial changes in depreciable utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.


(3) That meters shall be installed by applicants on all unmetered services of the water system by May 31, 1958, and within ten days thereafter applicants shall notify this Commission in writing of the date the installation of such meters was completed.

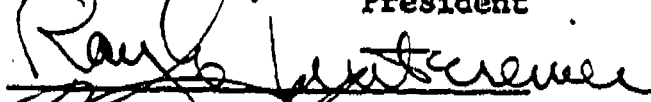
(4) That applicants shall, within sixty days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.

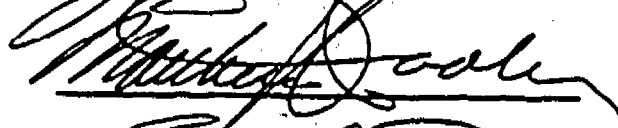
(5) That applicants are authorized to place upon their books of account the appraisal figures resulting from the appraisal of July 31, 1956, and set forth in Exhibit D attached to the application.


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

Dated at Los Angeles, California, this 3rd day of MARCH, 1958.



President






Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Thermal, and vicinity, Riverside County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$ 2.40
Next 1,200 cu.ft., per 100 cu.ft.25
Next 3,000 cu.ft., per 100 cu.ft.20
Over 5,000 cu.ft., per 100 cu.ft.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.40
For 3/4-inch meter	3.50
For 1-inch meter	5.00
For 1-1/2-inch meter	9.00
For 2-inch meter	13.00

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

Schedule No. 2 LX

LIMITED TEMPORARY FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Thermal, and vicinity, Riverside County.

RATE

	<u>Per Month</u>
For each service connection	\$3.00 .

SPECIAL CONDITIONS

1. Service under this schedule will be continued to any customer served hereunder as of the effective date of this tariff sheet, and until such time as a meter is installed.
2. This schedule will be effective only to and including May 31, 1958, and will thereafter be withdrawn.