

ORIGINAL

Decision No. 68790

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of JOHN and HAZEL SALE, doing business as HAVASU WATER COMPANY, INC., under Section 454 of Public Utilities Codes for authority to increase rates for water service.	}	Application No. 46838 (Filed July 23, 1964)
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John W. Bale and Hazel D. Bale, for applicant.

Everett L. Hodges, protestant.

Herbert Bush and Clyde T. Brower, interested parties.

Chester O. Newman, for the Commission staff.

## O P I N I O N

Havasu Water Company, Inc., a corporation, seeks authority to increase its rates for water service at Havasu Lake, San Bernardino County, by \$3,720<sup>1/</sup> or 150.8 per cent, according to its projection of income and expenses for the fiscal year ended September 30, 1965, as shown in Exhibit 11 attached to the application.

Public hearing was held before Examiner Warner on January 20, 1965, at Havasu Lake. One customer protested the magnitude of the increase proposed. The matter was submitted subject to the receipt of late-filed exhibits, which have been received.

John Bale and Hazel Bale, husband and wife, operate applicant and own all of applicant's facilities because, although

<sup>1/</sup> Applicant included only \$1,800 of annual revenue for unmetered customers at proposed rates while the actual revenue at such rates would be \$3,000.

by Decision No. 63015, dated January 9, 1962, in Application No. 43017, applicant was granted a certificate of public convenience and necessity to construct, extend and operate a public utility water system at Kavasus Lake and rates were established, and by Decision No. 63555, dated April 17, 1962, in Application No. 44137, authority to issue 18,490 shares of common stock to the Bales for the water system properties was granted, said decisions and a subsequent Decision No. 64864, dated January 29, 1963, in Application No. 43017, modifying Decision No. 63015, contained conditions regarding applicant's securing of a permanent water supply permit from the State Department of Health through the San Bernardino County Health Department. Because of high fluoride and sodium chloride contents and total dissolved solids (TDS) in excess of 1,000 parts per million, and although applicant has drilled seven wells and installed a \$25,000 treatment plant, it has been unable to secure a permanent water supply permit; filing of its tariffs has been rejected by the Commission and issuance of its common stock has been invalidated.

Applicant furnishes water service to 36 customers, 10 of whom are metered. In addition to the fact that applicant's certificate never became effective, applicant was restricted from furnishing water service outside its "certificated" area boundaries without further order of this Commission; nevertheless applicant has permitted a privately owned 4-inch asbestos cement line to be joined to its system at the edge of its service area. At least four users outside the "certificated" area have connected to this line and are billed directly by applicant.

Exhibit No. 1 is a copy of a letter dated January 8, 1965, to applicant from the State Department of Health in San Bernardino which states that a temporary water supply permit may be granted without a hearing as long as the water served does not exceed 1,500 mg/l total solids, 600 mg/l sulphates, and 1.4 mg/l fluorides. It further states that if a system holds such a temporary permit, the Department has no objection to its further expansion as long as no other serious problems exist.

Applicant's present and proposed rates and those authorized hereinafter are summarized as follows:

GENERAL METERED SERVICE RATES

Quantity Rates:	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u> <sup>1/</sup>
First 800 cu.ft. or less .....	\$ 5.00	\$12.50	\$ 8.50
Next 1,200 cu.ft., per 100 cu.ft. ....	-	-	.45
Next 1,400 cu.ft., per 100 cu.ft. ....	.26	.65	-
Next 3,000 cu.ft., per 100 cu.ft. ....	.24	.62	-
Over 2,000 cu.ft., per 100 cu.ft. ....	-	-	.35
Over 5,200 cu.ft., per 100 cu.ft. ....	.18	.36	-

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 5.00	\$12.50	\$ 8.50
For 3/4-inch meter .....	6.00	13.50	11.00
For 1-inch meter .....	8.00	15.50	14.00
For 1½-inch meter .....	-	-	21.00
For 2-inch meter .....	14.00	21.00	27.00
For 3-inch meter .....	20.00	27.00	-

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

FLAT RATE SERVICE

	<u>Per Customer Per Month</u>		
Single family residential unit not exceeding 1,000 square feet in area... Unknown	\$12.50	-	-
Each additional single family unit furnished by same connection .....	N/A	10.50	-

<sup>1/</sup> After applicant has completed the installation of meters on all customers' services.

The staff engineer recommended that all of applicant's customers be metered.

Exhibit No. 2 is a report on applicant's operations submitted by a Commission staff accountant and a staff engineer. The following tabulation summarizes the earnings data for the recorded period October 1, 1963 to June 20, 1964 and for the estimated year 1965 at present and proposed rates as shown in Exhibit No. 2:

Item	:Recorded: :10-1-63 : to :6-20-64	Estimated Year			
		: Present Rates :		: Proposed Rates :	
		: Staff :	: Staff :	: Staff :	: Staff :
		1965 :Applicant:	1965 :Applicant:	1965 :Applicant:	1965 :Applicant:
Operating Revenues	\$1,345	\$2,160	\$2,467	\$5,400	\$6,187
Operating Expenses	3,054	3,270	3,917	3,270	3,917
Taxes	318	560	300	560	300
Depreciation	<u>2,108</u>	<u>1,655</u>	<u>4,406</u>	<u>1,655</u>	<u>4,406</u>
Subtotal	\$5,480	\$5,485	\$8,623	\$5,485	\$8,623
Net Revenues	\$(4,135)	\$(3,325)	\$(6,156)	\$ (85)	\$(2,436)

The record is replete with applicant's water supply quality problems and its operations have been and are being inhibited thereby. Exhibit No. 2 shows that on January 23, 1964, \$25,000 was borrowed and \$16,500 more on May 8, 1964. The \$25,000 loan matures January 23, 1967, and the \$16,500 loan matures May 8, 1967. Ten points, or \$4,150, was charged for obtaining the loans from the lender, and the loans bear interest at 10 per cent. They were signed by John W. and Hazel Bale as officers of applicant and as individuals, and the utility property and real estate holdings of the Bales at Havasu Lake were encumbered by the loans. Permission was not requested of the Commission to incur the long-term debts.

Because of the very low customer density and the investment in plant of approximately \$83,000 as adjusted by the staff, which results in an average of \$2,460 per customer, the staff made no rate base recommendation.

The record shows that the operation of the water treatment plant has failed to reduce the TDS to the maximum quantities allowed by the Health Department to obtain a permanent water supply permit, but the plant may have some value for testing purposes and for future use if water is obtained from the Chemehuevi Indians, or from Havasu Lake through the United States Department of the Interior. The latter two sources are not presently available, but applicant is negotiating to obtain a source of supply from one or the other.

Exhibit No. 2 shows that, if out-of-pocket expenses only are considered and no allowance is considered for depreciation, the staff estimates applicant would require approximately \$9.00 per customer per month in revenues on the average during the year 1965 to break even. If an allowance for depreciation is considered, an additional amount of \$3.83 per customer per month on the average would be required. The staff engineer testified that if the expenses of operating the treatment plant, including depreciation, were eliminated, an amount of \$8.50 per customer per month in revenues on the average would be required to meet out-of-pocket expenses and depreciation.

Service conditions are relatively satisfactory. One customer is served from a separate well, which produces water unusable for most domestic purposes. The record shows that he can

and should be served from applicant's nearest distribution main, at no cost to him for the service installation. Since the original source of supply to this service has failed, it is applicant's responsibility to provide another and adequate source.

The Commission finds that:

1. Applicant is in need of financial relief, but the rates proposed in the application are excessive.

2. Public convenience and necessity require that applicant be permitted to operate under a State Department of Public Health temporary water supply permit; that applicant be authorized to serve Tract 6493 (34 lots), Tract 6494 (7 lots), Tract 6595 (12 lots), and Tract 5968 (23 lots); and that applicant be authorized to serve the 21 customers not situated in said tracts but presently receiving water service.

3. Applicant should be directed to install meters on all customer services.

4. a. Applicant, at this time, should be authorized and directed to file the schedule of rates for general metered service authorized by Decision No. 63015, together with rules governing service to customers, a tariff service area map, and sample copies of printed forms that are normally used in connection with customers' services. Concurrently therewith, applicant should be authorized and directed to file a limited term schedule for flat rate service, to be effective only until such time as all customers' services have been metered.

b. When applicant has completed the installation of meters on all customers' services, applicant should be authorized by supplemental order herein to increase its rates for general metered service to a level which will produce an average revenue of \$8.50 per customer per month, which said rates are found to be reasonable under the condition stated herein.

5. Adequate service to Herbert Bush should be made.

6. The incurring of two 3-year, long-term debts by applicant and its officers in the amounts of \$25,000 on January 23, 1964, and \$16,500 on May 8, 1964, was not authorized. A separate application for the necessary authority should be filed.

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

8. The lifting of restrictions and the granting of authority to operate under a State Department of Public Health temporary water supply permit are required by the special circumstances disclosed by this record.

Based on the foregoing findings, it is concluded that the application should be granted in part and denied in part.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Havasu Water Company, Inc. is authorized and directed to file the schedules of rates attached hereto as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the schedules shall be May 1, 1965 or four days after the date of filing, whichever is later.

2. a. Applicant is granted a certificate of public convenience and necessity to construct, extend and operate a public utility water system under a State Department of Health temporary water supply permit in Tracts 6493, 6494, 6495 and 5968 in San Bernardino County, at Havasu Lake, and is authorized to furnish water service to its 21 customers outside said tracts now receiving water service.

b. Applicant shall not further extend its water system outside the area certificated herein without further order of the Commission.

3. Within forty-five days after the effective date of this order, applicant shall file a tariff service area map, appropriate general rules, and sample copies of printed forms that are normally used in connection with customers' services. Such filing shall comply with General Order No. 96-A. The effective date of these tariff sheets shall be four days after the date of filing.

4. Applicant shall immediately make a water service connection to the property of Herbert Bush from its nearest distribution main at no cost to Bush.

5. Within six months after the effective date of this order, applicant shall complete the installation of meters on all customers' services and shall inform the Commission, in writing, within ten days after the completion of such installation.

6. Upon completion of the meter installation required by ordering paragraph 5 above, applicant is authorized to file the schedule of rates attached hereto as Appendix B, in conformity with General Order No. 96-A, and upon supplemental order of this Commission to make such rates effective pursuant to such supplemental order.

7. Applicant is authorized to issue its common stock to John W. Bale and Hazel Bale previously authorized by Decision No. 63555.



*J:*

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

Dated at San Francisco, California, this 30<sup>th</sup> day of MARCH, 1965.

*Frederick B. Holdoff*  
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 President

*John S. Mitchell*  
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*George A. Grover*  
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*Avogradov*  
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*Alexander Karamell*  
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 Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tracts Nos. 6493, 6494, 6595, 5968, and vicinity, located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 800 cu.ft. or less .....	\$ 5.00
Next 1,400 cu.ft., per 100 cu.ft. ....	.26
Next 3,000 cu.ft., per 100 cu.ft. ....	.24
Over 5,200 cu.ft., per 100 cu.ft. ....	.18

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 5.00
For 3/4-inch meter .....	6.00
For 1-inch meter .....	8.50
For 1 1/2-inch meter .....	14.00
For 2-inch meter .....	20.00

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

Schedule No. 21

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The area known as Tracts Nos. 6493, 6494, 6595, 5968, and vicinity, located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATE

Per Service Connection  
Per Month

Per service connection ..... \$ 5.00

SPECIAL CONDITION

This schedule shall be effective only until such time as meters are installed on all customers' services and will thereafter be withdrawn.

APPENDIX B

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tracts Nos. 6493, 6494, 6595, 5968, and vicinity, located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 800 cu.ft. or less .....	\$ 8.50	(I)
Next 1,200 cu.ft., per 100 cu.ft. ....	.45	
Over 2,000 cu.ft., per 100 cu.ft. ....	.35	

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 8.50	
For 3/4-inch meter .....	11.00	
For 1-inch meter .....	14.00	
For 1 1/2-inch meter .....	21.00	
For 2-inch meter .....	27.00	

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