

ORIGINAL

Decision No. 36688

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on the Commission's own motion into the rates, charges, contracts, rules, regulations, classifications, operations, practices, services, or any of them, of James J. Roddy, Sr., and/or James J. Roddy, Jr., operating a public utility water system under the firm name and style of Pedro Valley Water Company, in Pedro Valley, County of San Mateo, California.

Case No. 4673

BY THE COMMISSION:

O P I N I O N

This is a proceeding in which the Railroad Commission, on its own motion, ordered an investigation to be made of all phases of the operations, practices, rates, services, etc. of James J. Roddy, Sr., and/or James J. Roddy, Jr., operating a public utility water system under the fictitious firm name and style of Pedro Valley Water Company and furnishing water for domestic and other purposes in and in the vicinity of the unincorporated community of Pedro Valley in San Mateo County.

A public hearing in this matter was held before Examiner M. R. MacKall at Pedro Valley. Although a certified copy of the Commission's Order instituting the investigation and designating the time and place of the public hearing had been served by registered mail upon both James J. Roddy, Sr. and James J. Roddy, Jr., as directed in said Order, neither was present at the hearing, nor did any one appear for or in behalf of either of them.

The early history and operations of this utility are fully covered in former decisions⁽¹⁾ of the Railroad Commission involving this company. By Decisions

(1) Note: Decision No. 25941, May 15, 1933 (Appl. 18599)
 Decision No. 26317, Sept. 2, 1933 (Appl. 18599)
 Decision No. 26818, Feb. 19, 1934 (Case 3762)
 Decision No. 27168, June 20, 1934 (Case 3786)
 Decision No. 27724, Feb. 4, 1935 (Case 3707)
 Decision No. 27930, Apr. 29, 1935 (Case 3707)
 Decision No. 32058, June 6, 1939 (Appl. 22621)

No. 25941 and No. 26317 in Application No. 18599, James J. Roddy, Sr., was granted a certificate of public convenience and necessity enabling him to exercise the franchise granted by Ordinance No. 394, of the County of San Mateo, and a schedule of both flat and meter rates was established for all water service to be rendered after August 30, 1933. Consumers' complaints filed in 1934 as Cases No. 3762 and No. 3786 were dismissed by Decisions No. 26818 and No. 27168, respectively, without the formality of bringing the matters to public hearings.

In Case No. 3707, James J. Roddy, Sr. complained of the operations of one C. O'Leary, alleging that said O'Leary was competing in the business of supplying water to residents of San Pedro Terrace-by-the-Sea, also referred to as Pedro Valley. By Decision No. 27724, the Commission found that C. O'Leary was operating as a public utility without a certificate of public convenience and necessity and ordered him to cease and desist rendering such public utility water service not later than June 1, 1935. By Decision No. 27930 the petition for rehearing filed by said O'Leary was denied.

In 1939, James J. Roddy, Sr., signing himself as President of the unincorporated Pedro Valley Water Company, filed Application No. 22621 requesting a revision in the rates, which request was granted by Decision No. 32058 authorizing the following schedules of rates to be charged for all water delivered to his consumers on and after the first day of July, 1939, and which are still in effect:

RATE SCHEDULES

METER RATES

For Permanent Residents

Applicable only to bona fide permanent residents who occupy the premises served continuously for twelve consecutive months:

Monthly Minimum Charges:

For 5/8 x 3/4-inch meter	\$2.00
3/4-inch meter	3.00
1-inch meter	5.00
2-inch meter	8.00

RATE SCHEDULES

METER RATES

For Permanent Residents - Continued

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates":

Monthly Quantity Rates:

First 400 cubic feet or less	\$2.00
Next 3,600 cubic feet, per 100 cubic feet30
Over 4,000 cubic feet, per 100 cubic feet25

For Temporary Residents

Applicable to occupants of summer homes or week-end cabins and others who are not bona fide permanent residents and who occupy their premises intermittently or for periods less than twelve consecutive months during any calendar year.

Annual Minimum Charge:

Due and payable in advance, at time of making application for service \$16.00

The foregoing "Annual Minimum Charge" will entitle the consumer to 400 cubic feet of water each calendar month for any period of eight consecutive months.

Water used in excess of 400 cubic feet per month shall be charged under the regular monthly quantity rate for such amounts.

Monthly Quantity Rate:

Water used during the period outside the regular eight months' consecutive use shall be billed under the permanent monthly schedule.

FLAT RATES

For Permanent Residents

Applicable only to bona fide permanent residents who occupy the premises served continuously for twelve consecutive months:

Monthly Flat Rate:

Due and payable monthly in advance by all permanent consumers \$2.00

RATE SCHEDULES

FLAT RATES

For Temporary Residents

Applicable to occupants of summer homes or week-end cabins and others who are not bona fide permanent residents. Until the consumer proves himself a permanent resident by continuously occupying the same premises for twelve consecutive months, the utility may classify him as a temporary resident.

Annual Minimum Charge:

Due and payable in advance, at time of making application for service \$16.00

The foregoing "Annual Minimum Charge" will entitle the consumer to service of water for a maximum period of eight consecutive months during any calendar year, such period to commence at the time of making application for service.

Additional Monthly Charge:

Due and payable in advance for each month that consumer desires water service beyond eight consecutive months during any calendar year \$2.00

Prior to 1939 Mr. Roddy, Sr., made his home in Pedro Valley and thus was able to attend personally to the business of the utility. His home in Pedro Valley was destroyed by fire in 1938, since which time no member of the family has lived in the community, but all reside in the City of San Francisco from which place the utility is operated. In 1939, because of his advanced age and failing health, Mr. Roddy, Sr., transferred the management of the Pedro Valley Water Company to his son, James J. Roddy, Jr., who has since had charge of the system. Mr. Roddy, Jr. also lives in San Francisco where he earns his chief livelihood at other occupations, which situation limits his attentions to the water system to times when he is not engaged at his regular employment. No one in residence at Pedro Valley is vested with the necessary authority and responsibility for operating the water works, making repairs, attending to collections or generally supervising the system to maintain a supply of water to all customers without frequent interruptions.

The above facts, coupled with the cumulative deterioration of the pumping units, pipe lines, electric control wiring and other elements of the water system, have resulted in much dissatisfaction among the consumers who have appealed to the Railroad Commission for relief from the conditions of which they complain.

During the past four years numerous informal service complaints against this utility have been received by the Commission. Specifically, from March, 1939, to February, 1943, ten customers of the system filed fourteen separate complaints, most of which were provoked by inadequate pressures and interruptions in the supply which were sometimes of several days' duration.

The Commission has tried to enlist the cooperation of the utility in solving the difficulties and problems by informal means but it has been unable to do so. It was the deplorable inconvenience to the public and the utter failure on the part of the utility's manager, J. J. Roddy, Jr., to observe the public utility duties and obligations owing his consumers that made it necessary for the Commission to issue its order of investigation upon its own motion.

At the hearing several consumers testified in detail as to the numerous occasions and the extended length of time that they had been without water, which testimony was substantiated by many others present at the hearing. These consumers complained that the service had been interrupted without warning and that there was no assurance forthcoming as to when water might again be available. There being no one in the service area to whom these conditions might be reported, it has been necessary for various customers to pay telephone toll charges in an effort to communicate with Mr. Roddy, Jr. On these occasions, he was seldom home and the message had to be given to his wife. In either event, the usual reply was that the matter would receive attention at some indefinite future time. Often it was several days later before service was resumed.

The consumers' chief grievance against the utility's management was the apparent attitude of indifference and unconcern over the discomfort, annoying inconvenience, and unsanitary conditions resulting from these

frequent interruptions in service attributable to the neglect of timely repairs which would have prevented such serious consequences. It was the expressed belief of these complainants that this condition could be largely remedied by having someone in the area employed to take care of the plant and who would be competent to restore service without long delays. According to the testimony of these consumers efforts to assist Mr. Roddy in finding someone to act in this capacity have been repudiated. It is claimed that such assistance could be found if the utility were willing to pay reasonable compensation for it. There is no other public water utility in the neighborhood of this community and the consumers therefore are solely dependent upon the Pedro Valley Water Company for a water supply under conditions as they now exist.

In an effort to solve their water problems, in about August of 1942, a meeting was held by the Pedro Point Improvement Association, an organization of long standing in the community and chiefly composed of consumers of the water utility. Mr. Roddy, Jr., attended this meeting and offered to transfer the operation of the system to any man that the association would recommend for a consideration of \$25.00 a month and the upkeep or operating expenses of the system, said man to collect and keep all revenues of the system and return the water works to the owner at the expiration of the contract. As a result of this offer, negotiations were commenced with Mr. O'Leary who was apparently receptive to the idea. However, the negotiations were terminated when Mr. Roddy, Jr. reported that after discussing the matter with his father, the consideration was raised from the original \$25.00 to \$50.00 per month. Nothing further has resulted from the efforts of the association.

There were present at the hearing, representatives of the State Board of Health and the San Mateo County Board of Health who testified that they had made investigations following complaints to their offices as to the quality of the water served by this utility. Periodic laboratory tests of the water have shown that it is often polluted and the consumers have been cautioned that they should boil all water taken from the system for drinking purposes. The contamination of

the supply may result from local septic tanks, the runoff from which can find its way into one or more of the springs and wells from which the utility draws its supply. These agencies have advised chlorination of the water but have received no cooperation along this line from the utility management. Another possible source of contamination is the introduction of surface water into the pipe lines at times of making repairs to leaks. In addition to the danger to health from pollution of the supply, there is also danger resulting from the lack of sanitation when the supply is interrupted for long periods of time. At such times, the sediment and corrosion on the inside of the water mains becomes dried and loose so that when water service is restored, this extraneous material is carried through the lines to the consumers and constitutes another source of complaint. Most of such complaints would be eliminated if the service were kept free from interruption.

It was definitely recommended by the health officials that the utility should not use water from the auxiliary well until certain precautions had been taken nor from Springs No. 1 and No. 6, all of which are located in a draw which is subject to pollution from neighboring septic tanks. It was further recommended that the concrete collecting tank should be protected by a concrete wall on its upper side in place of the existing wooden barrier and that it should be covered. The roof on the wooden storage tank "A" should also be replaced and the roofs on tanks "B" and "C" should be repaired and all tanks cleaned periodically.

An exhaustive report was presented by Mr. E. R. Foster, one of the Commission's Hydraulic Engineers, based on the Commission's investigation. In addition to a general description of the system, territory served, sources of water supply, past and present operations and service conditions, supplemented by maps and charts this report contains statistics as to the capitalization, valuation, operating revenues and expenses of the utility. The investigation developed the fact that the utility does not keep its accounts in conformity with the Uniform Classification of Accounts for Water Companies prescribed by the

Railroad Commission. A perusal of such books as are kept by the utility revealed that there were many items included in operating expenses as reported to the Commission in the utility's annual reports which properly should have been included in capital accounts. However, using such records as were available, supplemented by certain information furnished by Mr. Roddy, Jr., the Commission's engineers made an inventory of the property devoted to supplying water to this community and from which there was compiled an appraisal of the estimated historical cost of the existing facilities as of February 23, 1943, amounting to \$12,380. The depreciation annuity, computed by the 5% sinking-fund method was found to be \$255 and the accrued depreciation, determined on the same basis amounts to \$3,512.

A review of the operating revenues for the past five years indicates that the revenue for 1943 will amount to about \$1,460. From a careful analysis of the maintenance and operating expenses of this utility, supplemented by a knowledge of average costs of water utilities of similar character operating under comparable conditions, the total normalized expenses for 1943 were estimated to be as follows:

<u>Ac. No.</u>	<u>Classification</u>	<u>Amount</u>
E-1 to E-7	Source of Water Supply Expense	\$ 40
E-8 to E-18	Pumping, Power Bills and Repairs	322
E-22 to E-27	Operating Transmission and Distribution System	40
E-28 to E-33	Repairs to Transmission and Distribution System	160
E-36 to E-49	General and Miscellaneous Expense	245
E-50	Taxes	143
E-51 to E-52	Depreciation Annuity	<u>255</u>
Total Estimated Normalized Expenses		\$ 1,205

Based on the above figures, the estimated results of operation for the year 1943 will be as follows:

<u>Classification</u>	<u>Amount</u>
Operating Revenues, under Present Rates in Effect	\$ 1,460
Operating Expenses	1,205
Net Operating Revenue	255
Rate Base Capital	12,380
Rate of Return	2.06%

Thus it may be seen that while the operations of the utility do not render a large rate of return, still it is not operating at a loss when expenses are properly charged to the respective accounts. The report of the Commission's staff contains a list of recommendations pertaining to the utility's operating methods and to various repairs and improvements to the system, some of which will be required to be performed in the Order which follows this Opinion. Should the utility claim that its gross revenues are so limited that no increase in operation expenses can be met or that the rate of return is so meager that no further capital improvements are warranted, the utility may file an application for a revision in its rates, which application will receive the Commission's careful consideration.

Unless the utility is willing to make the necessary expenditures of time and money to improve its water works so that the consumers will receive reasonably dependable service of water having sanitary qualities and at satisfactory pressure, it is evident that the consumers will be forced to take other steps to acquire a satisfactory source of water supply. In such case, the Commission could no longer assume the attitude that it would prevent competition from any other organization that might undertake to furnish a supply of water to this community.

In this connection, it may be observed that the Commission has given this utility every fair consideration in all formal proceedings heretofore brought before it in which it was involved. Furthermore, a review of previous formal matters before this Commission, as well as the evidence in the instant proceeding, indicates that the Commission has, both directly and indirectly through its engineering staff, repeatedly and continuously endeavored to aid the utility in the proper conduct of its business by suggesting certain improvements and changes in its operation methods and practices. Not having received the necessary cooperation from the utility by such informal methods, the only alternative now apparent to the Commission is to order certain procedures to the end that this utility can and will properly serve its consumers.

O R D E R

The Railroad Commission, on its own motion, having instituted an investigation into the various phases of the operations and practices of James J. Roddy, Sr., and/or James J. Roddy, Jr., operating under the fictitious firm name and style of Pedro Valley Water Company, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED for the reasons set out and based upon the conclusions and findings set forth in the foregoing Opinion that James J. Roddy, Sr., as owner of the public utility water system known as the Pedro Valley Water Company, and James J. Roddy, Jr., as manager thereof, be and they are, individually and together, hereby directed as follows:

1. Within thirty (30) days from the date of this Order to regularly employ, either full-time or part-time as may be deemed necessary, a capable plant operator to whom shall be delegated full authority and responsibility to manage, operate and maintain the waterworks in Pedro Valley during all times that said J. J. Roddy, Sr., and J. J. Roddy, Jr., are absent from the community or not otherwise available to run the plant. Said operator shall establish headquarters at his home or elsewhere within the utility's service area, with a telephone available upon the premises, to the end that consumer complaints may receive proper attention and service interruptions and other emergency matters promptly remedied. Also within sixty (60) days from the date of this Order the Commission and all consumers shall be notified in writing of the establishment of this local headquarters, its location, the telephone number, and the name of the party in charge thereof.
2. Within sixty (60) days from the date of this Order to perform and complete the following repairs and alterations to the water system:
 - (a) Repairs to electrical control apparatus, float switches, and other devices necessary to restore automatic operation of the pump at the main well so as to keep tanks "A" and "B" filled at all times, within the limits of the float switches.
 - (b) Repairs to well casing and curb at ground level of auxiliary well to prevent seepage of surface waters into well, to eliminate possibility of pollution of water in well.

- (c) Repairs to electrical control apparatus, float switches and other devices so as to restore automatic operation of the pump at the auxiliary well, so arranged as to utilize to the maximum extent the water available from the springs and auxiliary well supply, toward keeping tanks "A" and "B" filled.
 - (d) Repairs to the visual gage of tank "C" to aid the operator in his manual operation of the booster pump so that tank "C" can be kept reasonably full at all times.
 - (e) Disconnection of piping from Spring No. 6, unless it can be proved to the satisfaction of the County and State health authorities that this spring is not subject to pollution from surface water.
 - (f) Repairs to the roofs of tanks "B" and "C" to prevent entrance of any foreign matter into them, including covers to manholes.
 - (g) Make connection from tank "B" to the distribution main serving customers on the lower part of Grand Avenue who are now receiving water from tank "A".
 - (h) Clean existing pipe lines, install new pipes, or whatever investigation may prove to be necessary to render adequate service at all times to the customers supplied from the distribution line laid on Kent Road, including the service to Shelter Cove Resort operated by Mr. George Lewis and the premises owned by Mrs. George E. Duno located at the corner of Blackburn Terrace and Beau Rivage.
3. Within ninety (90) days from the date of this Order to submit to the Commission a detailed program, including preliminary plans and specifications, together with cost estimates, for making repairs, replacements and improvements to the water system, particularly those listed herein:
- (a) Reconditioning of foundations and roofing for tank "A" at its present location or as an alternative the removal of tank "A" from its present location and installation at the same level as tank "B".
 - (b) Construction of a concrete wall on the uphill side of the concrete collecting reservoir and also a roof to cover this reservoir.
 - (c) Repairs to small concrete reservoir which receives water from Spring No. 1, so as to properly protect entrance of seepage water either to the spring or to the reservoir which must also be properly roofed.

- (d) Replacement of pipe lines, particularly the transmission line from the main well and the distribution line along the beach, which have deteriorated to the extent that further patching is not economical as a method of repair. In this connection, consideration should be given to the replacement of the transmission line with pipe of larger diameter.
- (e) Installation of meters on all service connections where the average monthly usage of water reasonably appears to exceed the quantity allowed for the monthly minimum rate.

IT IS HEREBY FURTHER ORDERED that the Railroad Commission hereby reserves the right to make such other and further order or orders in connection with this proceeding as may appear to be reasonably necessary and proper in the public interest in the exercise of its jurisdiction.

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 2nd day of November, 1943.

Francis D. Hawens
M. Ball
Justin J. Casanova
Richard K. Baker
Stromwell
 Commissioners.