

Decision No. 41505

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
ZAYANTE WATER COMPANY, a corporation,
for authority to adjust and simplify
its rate structure.

Application No. 27157

James A. Harris, Jr., and James A. Harris, III,
for Applicant.

Roy A. Annis, for property owners.

OPINION ON REHEARING

Zayante Water Company, a corporation, engaged in the business of supplying water in a subdivided area known as Zayante Lakes, located ten miles northerly from the City of Santa Cruz, Santa Cruz County, asked the Commission to authorize an adjustment and simplification of its rates for domestic water service. After hearing the Commission rendered its Decision No. 39421, authorizing an increase in rates to be made effective by further order of this Commission, after certain improvements had been installed in a manner satisfactory to the Commission.

Before the effective date of the order, applicant filed a petition requesting the Commission to modify and amend its decision in certain particulars, alleging that the company is entitled to have included in its rate base the cost of a 35,000-gallon concrete reservoir and a Peerless Hi-Lift pump, both of which were excluded by the Commission in its decision, and that adequate service is being furnished without the necessity of installing two and three-inch pipe lines on Zayante Drive as required in said decision. After considering the application, the Commission granted a rehearing which was held in Ben Lomond before Examiner Foster, and at which time additional evidence was presented by representatives of the company and by one of the Commission's engineers.

The water supply for the system is obtained by pumping from Zayante Creek. For a period of approximately two years prior to June, 1946, the water was delivered

by a Peerless Hi-Lift pump to a 35,000-gallon concrete reservoir, located at an elevation approximately 300 feet above the level of the water in the creek. A new Ingersoll-Rand centrifugal booster pump was installed in June, 1946, and the Peerless pump was thereafter used as a standby unit and also operated during flood stages when the creek carries large quantities of silt. During flood periods the water is all delivered by the Peerless pump into the concrete reservoir where it is held for sedimentation. The cost of the reservoir was estimated at \$1,650 and the cost of the Peerless pump and motor at \$440. Additional storage has been provided by two 10,000-gallon redwood tanks which were installed in June, 1946. These tanks are normally used for storage during the portion of the season when sedimentation of the water is not required.

The testimony shows that since the original hearing in this matter the concrete reservoir has been repaired and is now serviceable; that the Peerless pump and motor have been overhauled and are now in good operating condition and are necessary for standby and winter pumping purposes.

In connection with the installation of the two and three-inch mains along Zayante Drive, Mr. James H. Harris, Jr., testified that the installation of a new two-inch pipe line on Rosebloom Avenue provides sufficient carrying capacity in a parallel direction to make the installation of the original two and three-inch lines unnecessary. He also declared that the company intends to replace certain other existing small pipes with larger mains as soon as pipe of the desired size was obtainable. He stated further that meters would be installed on the services of customers using large quantities of water as soon as meters can be obtained. The metering program was estimated to cost approximately \$2,500 but Mr. Harris stated that it should reduce the wasteful and extravagant use of water and assist materially in improving the service throughout the system.

In a supplemental report on the operations of the company, submitted by the Commission's engineer, the rate base brought up to date as of December 31, 1947, was estimated to be \$17,944. This sum included the historical costs of the 35,000-gallon concrete reservoir, the Peerless Hi-Lift Pump, the installation cost

of an additional 100 meters and, an allowance of \$140 for working cash. The annual revenue based on the new rates and the installation of the additional 100 meters, was estimated to be \$3,510. The adjusted 1947 operating expenses, including the Federal income tax of \$140 and a 5% sinking fund depreciation annuity of \$350, totaled \$2,660. The estimated operations resulted in a net operating revenue of \$850 and produced a rate of return of 4.75% on the above rate base.

Under the circumstances, it is concluded that the rate base should include the cost of the reservoir and the Peerless pump; that the installation of a larger main on Zayante Drive will not be required at this time and that Decision No. 39421 should be modified to that extent. The company, however, will be expected to proceed with the installation of meters as rapidly as possible and to take such steps as are necessary for maintaining an adequate water service to the consumers.

It is further concluded that the rates heretofore authorized shall become effective on the date set forth in the following Order.

O R D E R

Application for rehearing having been filed in the above entitled proceeding, the application having been granted, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

IT IS HEREBY ORDERED that the Commission's Decision No. 39421 be modified to include in the Zayante Water Company's rate base the cost of the concrete reservoir, the cost of the Peerless pump and motor, and not require the installation of the two and three-inch pipe lines on Zayante Drive at this time.

IT IS HEREBY FURTHER ORDERED that Zayante Water Company, a corporation, be and it is hereby authorized to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, within five (5) days from

the date of this Order, the schedules of rates set forth in the Order of Decision No. 39421, issued September 17, 1946, to become effective on the first day of the next calendar month following the date of this Order.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California, this 27th day of

April, 1948.

R. E. Inman

Justice F. Calves

W. H. Powell

Harold P. Hale

Samuel P. Potter