

**ORIGINAL**Decision No. 42029

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CALIFORNIA-PACIFIC UTILITIES COMPANY,  
 a corporation, for an order authorizing  
 it to increase rates charged for water  
 service in the City of Benicia and  
 vicinity.

Application No. 29413

Amended

Orrick, Dahlquist, Neff & Herrington,  
 by George H. Johnston, for applicant;  
 Leland S. Fisher, City Attorney, for  
 City of Benicia.

O P I N I O N

California-Pacific Utilities Company, a corporation, engaged in the public utility electric, gas, telephone and water business in California, asks the Commission to establish interim rates to cover the cost of producing water from the so-called Suscol Wells, located in Napa County, and delivery to its customers in the city of Benicia and vicinity in Solano County.

Applicant alleges that, owing to the existence of a serious water shortage condition in Benicia, it has expended approximately \$150,000 in additional capital in order to secure and deliver an emergency supply of water to the community, and that the requested interim rates are designed only to reduce operating losses resulting from the cost of providing the emergency service and are not intended to provide a reasonable return on applicant's investment in its Benicia system.

The following table shows the present rates and the interim rates requested:

Monthly Quantities, per Meter	Present Rate Schedule	Requested Rates	
		Schedule No. 1	Schedule No. 2 *
		First 300 cu.ft., per 100 cu.ft.	\$ 0.55
Next 700 cu.ft., per 100 cu.ft.	.48	.635	.565
Next 4,000 cu.ft., per 100 cu.ft.	.43	.585	.515
Next 5,000 cu.ft., per 100 cu.ft.	.38	.535	.465
Over 10,000 cu.ft., per 100 cu.ft.	.33	.485	.415

\* Schedule No. 2 to become effective after City of Vallejo buys water from applicant in specified quantity.

The present schedule of rates provides for a minimum monthly charge of \$1.65 for a 5/8 x 3/4-inch meter and applicant does not ask to increase this charge nor the minimum charges for any of the larger meters.

Public hearings in this proceeding were held before Examiner Stava in Benicia.

At the hearings two amendments to the application were filed. In one amendment applicant asks that Schedule No. 2 shall not become effective until the City of Vallejo commences taking water at the full rate of 800,000 gallons per day, as the City has decided to purchase 100,000 gallons per day on an experimental basis prior to completion of its treatment plant. Applicant claims that the delivery of this quantity of water will net it only a nominal sum insufficient to warrant a change from proposed Schedule No. 1 to proposed Schedule No. 2. The other amendment provides for the partial recovery of a \$3,000 monthly loss in revenue resulting from the delay entailed by granting the City of Benicia a continuance to prepare evidence opposing the application and resulting from any further delay that may occur pending final determination of the matter. In this amendment, applicant asks that Schedule No. 1 be continued in effect after the City of Vallejo commences to take water at the full rate of 800,000 gallons per day, for an extended time equal to the period from May 15, 1948, to and including the effective date of proposed Schedule No. 1.

Water for the City of Benicia normally is obtained as surface run-off from Sulphur Springs Valley Creek stored in Lake Herman and in Paddy Lake. Water is released from the lakes and conveyed to a filter plant where it is treated. The water is then elevated by pumping to the 1,712,000-gallon capacity distribution reservoir and thence distributed to the customers. The transmission and distribution system includes 146,948 feet of mains varying from one to 20 inches in diameter. There are 1,445 customers being served by this system, all on a metered basis.

Applicant's supply of stored water was gradually reduced during the period 1942 to 1948, owing to decreased rainfall and an increase in consumption brought about by new customers aiding the war effort in Benicia Arsenal and Mare Island. This supply would have become exhausted by June 1, of this year, if applicant had not purchased water from the City of Vallejo's municipally-owned water system. This water was delivered through 36,000 feet of six-inch pipe line, costing approximately \$59,000, which was installed by applicant from its intake tower in Lake Herman to the City's pipe line at Fleming Hill. This pipe line was completed on May 15, 1948, and subsequently applicant supplemented its stored supply with water purchased from said City at a rate of 30 cents per 1,000 gallons.

In order to obtain a cheaper source of water supply, applicant has entered into an agreement to purchase water from the owners of the Suscol Wells, located in Suscol Valley, four miles southerly from the city of Napa and approximately 14½ miles northwesterly from Benicia. At the time of the hearing, applicant had installed 24,000 feet of 12-inch pipe line and had almost completed the booster plant at a total estimated cost of \$93,524, to deliver water from this well field to the nearest point on the City of Vallejo's 14-inch transmission main connecting its Green Valley well source of supply with

the City's Fleming Hill treatment plant. Applicant has leased 19,000 feet of this pipe line, through which water will be transported to the point of connection with the presently installed six-inch pipe line and thence conveyed to Lake Herman intake structure.

The agreement covering the Suscol Wells supply provides that applicant shall pay for a minimum of  $1\frac{1}{2}$  million gallons of water per day, for a two-year period, at a rate of  $4\frac{1}{2}$  cents per 1,000 gallons, with a guaranteed minimum monthly payment of \$2,025. Applicant is permitted to take two million gallons per day, provided that this quantity is available in the wells and its extraction will not be detrimental to the wells. Applicant has the use of four wells and pumps, a one-half million gallon storage tank and connecting pipe lines at the well field, and 2,400 feet of 12-inch transmission mains, but it must produce all of the water at its own expense. Applicant has installed a booster pump at the well field and another booster on the line at Blue Rock Springs Park delivering the water into Lake Herman. In addition to the provision for selling applicant an emergency supply of water, the agreement between the applicant and the City of Vallejo provides for the City to take 800,000 gallons of water per day of the Suscol Well supply at nine cents per 1,000 gallons. Although these wells produce water having a low degree of hardness, the water contains certain chemicals that make it unsatisfactory for the high pressure boilers and turbines at Mare Island Navy Yard, and therefore requires treatment. The City is designing a treatment plant for this purpose and expects to have it erected and in operation by the first of the year 1949.

The applicant proposes that when the City commences to take water, the cost of water delivered to the Benicia customers be reduced seven cents per 100 cubic feet to give the consumers full benefit of the extra revenue obtained from the City.

Mr. E. K. Albert, applicant's Vice President and Chief Engineer, presented the following table showing the cost of delivering 230,000,000 gallons of water, the total system demand in Benicia for 1947, from Suscol Wells to the intake tower at Lake Herman:

12-month minimum for water from wells.....	\$24,300
Power costs \$0.06 per 1,000 gallons.....	13,800
Rental of Vallejo pipe line.....	2,700
Pump and pipe line operation and maintenance	<u>6,000</u>
Total	46,800

The above expense results in an additional cost of 15.4 cents per 100 cubic feet for Suscol Well water. However, when the City purchases 800,000 gallons of water per day or 292,000,000 gallons per year, the cost of delivering 230,000,000 gallons to Lake Herman was estimated by Mr. Albert as follows:

12-month minimum for water from wells.....	\$24,300
Pump 522,000,000 gallons to Fleming Hill	
@ \$0.02 per 1,000 gallons.....	10,440
Pump 230,000,000 gallons to Lake Herman	
@ \$0.036 per 1,000 gallons.....	8,280
Rental of Vallejo pipe line.....	2,700
Pump and pipe line operation and maintenance	<u>6,000</u>
Total	51,720
Less sales of 292,000,000 gallons to Vallejo	
@ \$0.09 per 1,000 gallons.....	<u>26,280</u>
Net cost of water at Lake Herman.....	25,440

This table shows that the net additional cost of the Suscol water on the basis of 1947 Benicia sales is 8.4 cents per 100 cubic feet, which would result in a reduction of seven cents per 100 cubic feet, to the Benicia customers when the City of Vallejo is purchasing water.

Mr. C. E. Bramble, applicant's Treasurer and Vice President, presented estimates of results of operation for 1948, under present rates, based on four months' actual operation and estimated for the remaining eight months. During this latter period, he estimated

water would be purchased from Vallejo for the two months ending July 15, 1948, and obtained from Suscol Wells for the remaining 5½ months. He also submitted an estimate of 1949 operations under present and proposed rates, based upon 1947 deliveries and expenses, but including added costs of producing water from the Suscol Wells. A summary of these tables is given below:

	Present Rates				Requested Rates	
	Actual		Estimated 1949		Estimated 1949	
	1947	1948 <sup>a</sup>	Before Sales to Vallejo	After Sales to Vallejo	Schedule No. 1	Schedule No. 2
Oper. Revenues	\$99,797	\$83,714	\$ 99,797	\$126,077	\$146,597 <sup>b</sup>	\$151,517 <sup>b</sup>
Oper. Expenses	70,743	91,218	103,785	115,540	118,761 <sup>b</sup>	123,681
Net Oper. Rev.	29,054	(7,504)	(3,988)	10,537	27,836	27,836

(Red Figure)

- a Based on 4½ months using Lake Herman, two months using water purchased from Vallejo, and 5½ months using Suscol Wells.  
b Expenses include 2% depreciation on \$150,000, for present development.

Mr. Ed F. Catey, one of the Commission's engineers, submitted a report covering applicant's operations during the year 1947 and estimates for 1948, on the basis of the present and also the proposed rates with water being delivered from Suscol Wells. A summary thereof is set out in the following table:

	Present Rates			Proposed Rates	
	1948		1948	1948	
	1947	buys no water	buys water	buys no water	buys water
Oper. Revenues	\$ 99,797	\$ 99,100	\$125,400 <sup>a</sup>	\$145,700	\$151,000 <sup>a</sup>
Oper. Expenses	71,901	104,160	113,070	119,150	124,270
Net Oper. Rev.	27,896	(5,060)	12,330	26,550	26,730
Undepreciated Rate Base	556,774	713,379	713,379	713,379	713,379
Rate of Return	5.0%	(0.7)%	1.7%	3.7%	3.7%

(Red Figure)

- a Assumes that Vallejo will purchase 292,000,000 gallons at \$0.09 per 1,000 gallons.  
b Includes depreciation computed by 5% sinking fund method.

The above 1948 estimated rate base of \$713,379 includes net additions to fixed capital of \$156,111 of which \$150,000 covers applicant's expenditure for providing water from the Suscol Wells. However, the record shows that the installation is temporary, and may be partially salvaged, and that applicant is not asking for a return on the cost of these facilities. The deduction of the \$150,000 would reduce the rate base to \$563,379 and increase the 1.7% rate of return to 2.2% and the 3.7% rate of return to 4.7%. This latter rate of return approximately equals that for 1947 operations at present rates.

In opposing the increase of rates requested by applicant, counsel for the City of Benicia questioned the procedure followed in securing a supplementary source of water supply at such cost. Representatives for the City also criticized applicant for the delay in obtaining an additional supply of water for the community, alleging that the water shortage conditions had caused the property owners to suffer great damage to their gardens, lawns and shrubs. Applicant's witnesses testified that the shortage was caused by the sudden and unprecedented increase in population in the area due to activity at the nearby army arsenal and navy yard, aggravated by decreased rainfall; that this condition was foreseen as early as 1942 when studies were commenced to provide an increased water supply for the community; that the dam at Lake Herman was raised 12 feet which enlarged the reservoir capacity from 424 to 840 million gallons and augmented the net safe yield from 150 to 200 million gallons per year; and that a total of \$293,000 had been spent during the period from 1942 to 1947, inclusive, in carrying out this and other improvements recommended by the State Council of Defense Committee and others.

The record shows that the applicant had retained the services of a consulting engineer to assist its officers in studying many

other sources of supply and to pass on the feasibility of the projects. These studies included the possibility of obtaining water from springs or wells in the Upper Sulphur Springs Valley; a supply from Lindsay Slough, which is a branch of the Sacramento River; Suscol Wells; East Bay Municipal Utility District; pumping from Carquinez Straits; Contra Costa Water District, which has a canal across the Straits; and wells in Green Valley near Cordelia. The investigation of these possible sources developed various objectionable features such as the certainty of litigation over the taking of the water, uncertainty of a continuous supply, limitations in the supply, unreasonable expenditure involved in providing facilities, and excessive costs of operation.

The Suscol Wells source was determined to be the most certain and least expensive supply that could be obtained in the shortest period of time for the Benicia territory. However, agreements were not made to obtain this water and the installation of facilities was not commenced until it was found absolutely necessary to make the investment, in order to avoid the possible criticism of making unwise and unnecessary expenditures. The applicant was hopeful that in the 1947-1948 season, rains would temporarily solve the water problem.

The record shows that the water shortage in Benicia resulted from deficient rainfall and the consumption of water that exceeded the net safe yield of the watershed supplying the company's storage reservoirs. The increased demand for water developed during the war period was only slightly reduced after the war and, together with the three subnormal years of rainfall, has created the present emergency. The record also shows that apparently every reasonably feasible source of water was investigated by the applicant's engineers. Restrictions in water usage have been necessary, but water of good



quality was supplied in sufficient quantities to meet essential consumer demand. The materials for the additional facilities were promptly obtained and installed in time to avert the impending crisis.

It is apparent that the company should not be compelled to stand the loss in emergency operations through its efforts to meet its responsibility in providing the community with an adequate water supply. Under the circumstances the requested rates are just and reasonable and will be authorized. The record shows that the increased revenues to be obtained thereby meet only the bare cost of purchasing necessary water and operating the connecting facilities during the period of the existing emergency.

To compensate partially for the cost of purchasing water from the City of Vallejo for approximately two months beginning May 15, 1948, and for subsequent costs of operating the new facilities in connection with water obtained from the Suscol Wells, applicant amended its application to ask that the Temporary Rate Schedule No. 1 be continued in effect for a period after the City of Vallejo commences to buy at least 800,000 gallons of water per day from applicant, equal to the period from May 15, 1948, to the time that the proposed rates become effective.

It is the applicant's practice to read the consumers' meters on its Benicia water system on or about the 15th or 16th of each month. For practical purposes, therefore, the effective dates of the temporary rate schedules authorized in the Order to follow will be related to the regular meter reading dates. Furthermore, owing to the emergency situation presently existing and the pressing necessity for having had to secure these additional water supplies, it is hereby found that public interest and necessity require that the effective date of this decision be ten (10) days from the date hereof, and the following Order will so provide.

The Commission will hold this proceeding open in order to permit a review of the matter if and when it appears that further study should be made of the applicant's operations in connection with the rates established herein.

The company will be required to file monthly reports during the pendency of the temporary rates authorized herein.

O R D E R

California-Pacific Utilities Company having applied to this Commission for an order authorizing increases in water rates, public hearings having been held, and the matter having been taken under submission,

IT IS HEREBY FOUND AS A FACT that the temporary increases in rates set forth herein are justified and should be authorized; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this Order, in conformity with General Order No. 96, the temporary schedule of rates (No.1) shown in Exhibit A attached hereto, and, after not less than one (1) day's notice to the Commission and to the public, to make such rates effective for service rendered on and after September 15, 1948, at which time the presently effective Rate Schedule W-I-B, shall be temporarily suspended; and which Temporary Schedule No. 1 shall remain in effect and billed until and including the fifth regular monthly meter reading after the City of Vallejo commences to buy water from applicant at the rate of not less than 800,000 gallons per day, or unless otherwise ordered by the Commission.
2. Applicant shall file, in conformity with General Order No. 96, on not less than thirty (30) days' notice, the temporary schedule of rates (No.2) as shown in Exhibit B attached hereto, and make said schedule effective for service rendered on meter readings beginning with the fifth regular monthly meter readings after the City of Vallejo commences to buy water from applicant at the rate of not less than 800,000 gallons per day, at which time Temporary Schedule No. 1 shall be cancelled.

3. Applicant shall file a monthly report of revenues and expenses applicable to the operations of the Benicia Water System.

The effective date of this Order shall be ten (10) days from and after the date hereof.

Dated at San Francisco, California, this 3<sup>rd</sup> day of September, 1948.

R. F. [Signature]  
James F. [Signature]  
Lawrence [Signature]  
[Signature]  
[Signature]  
Commissioners.

EXHIBIT A

Temporary Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial metered water service.

TERRITORY

In and about the City of Fenicia.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 300 cu.ft., per 100 cu.ft. . . . .	\$0.705
Next 700 cu.ft., per 100 cu.ft. . . . .	.635
Next 4,000 cu.ft., per 100 cu.ft. . . . .	.585
Next 5,000 cu.ft., per 100 cu.ft. . . . .	.535
Over 10,000 cu.ft., per 100 cu.ft. . . . .	.485
 Minimum Charge:	
For 5/8 x 3/4-inch meter . . . . .	\$1.65
For 3/4-inch meter . . . . .	2.25
For 1-inch meter . . . . .	3.00
For 1 1/2-inch meter . . . . .	5.00
For 2-inch meter . . . . .	10.00
For 3-inch meter . . . . .	20.00
For 4-inch meter . . . . .	35.00
For 6-inch meter . . . . .	65.00

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

EXHIBIT B

Temporary Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial metered water service.

TERRITORY

In and about the City of Benicia.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	300 cu.ft., per 100 cu.ft. . . . .	\$0.635
Next	700 cu.ft., per 100 cu.ft. . . . .	.565
Next	4,000 cu.ft., per 100 cu.ft. . . . .	.515
Next	5,000 cu.ft., per 100 cu.ft. . . . .	.465
Over	10,000 cu.ft., per 100 cu.ft. . . . .	.415

Minimum Charge:

For	5/8 x 3/4-inch meter. . . . .	\$1.65
For	3/4-inch meter. . . . .	2.25
For	1-inch meter. . . . .	3.00
For	1 1/2-inch meter. . . . .	5.00
For	2-inch meter. . . . .	10.00
For	3-inch meter. . . . .	20.00
For	4-inch meter. . . . .	35.00
For	6-inch meter. . . . .	65.00

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