

ORIGINAL

Decision No. 45577

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

LORE RADISCH, et al,  
Complainant,

vs.

GEORGE FAULSTICH, Owner and  
doing business as the San  
Carlos Manor Water System,  
Defendant.

Case No. 5222

Robert L. Beckwith, for complainants; Lore Radisch, in propria persona, complainant; George Faulstich, in propria persona, defendant; Lyle G. Clark, for City of San Carlos, interested party; E. W. Anderson, for Redwood City Tribune, interested party.

O P I N I O N

Lore Radisch and 30 other residents of the San Carlos Manor Subdivision of the City of San Carlos, San Mateo County, California, on July 22, 1950, filed a formal complaint against George Faulstich, owner and operator of the San Carlos Manor Water System, who furnishes public utility water service to complainants. The complainants alleged that the water service is inadequate for domestic purposes because of a wide fluctuation in the flow and pressure, and because there is an objectionable carbonate content in the water. They maintain that the water system is inadequate to furnish the fire flow required for the area. Complainants requested that the defendant be ordered to furnish an adequate flow, pressure, and quality of water to meet reasonable domestic requirements and the fire protection requirements of the subdivision, or that the defendant's certificate be revoked and the right to do business awarded to a public utility system which is capable of meeting the demands of this subdivision.

The defendant, on September 13, 1950, filed his formal answer to the complaint, and denied that the flow or pressure is inadequate for domestic uses. He states that he is improving the system by installing an additional 30,000-gallon storage tank and plans another line on Madera Avenue. He denied that the carbonate content exceeds an acceptable standard for domestic purposes, being nine to ten grains per gallon, and alleged that said carbonate content is comparable with other water systems in the vicinity. He also denied that fire protection in the area served by his water system is inadequate, as it is provided by the City of San Carlos.

Attached to the complaint was a copy of a report by the Board of Fire Underwriters of the Pacific of an inspection of the defendant's water system, made at the request of the Fire Chief of the City of San Carlos. Tests made at three hydrants showed fire flows from the system considerably below the Board's adopted standard of 750 gallons per minute and indicated that the system is severely inadequate as to required fire flow for the area. The recommendation in the report was for the installation of 6-inch mains on many streets in the area, and for the installation of more hydrants, one for each 12,000 square feet of built-up area.

Defendant's formal answer to this report was that 6-inch pipe is virtually unobtainable under present conditions, and if such pipe were available, more than 8,500 feet would be required. He claimed that the cost would be prohibitive for a small system such as the San Carlos Manor Water System, and asked that the complaint be dismissed.

Defendant now operates under a certificate of public convenience and necessity granted by Decision No. 31448 of the Commission on November 9, 1938, under Application No. 21910. The water works was installed originally to make possible the sale of lots in the subdivision, and in 1938 water was being obtained from

a series of four shallow wells, or collecting basins, located on Pulgas Creek. These wells, or collecting basins, were installed many years before by Colonel Nate Brittan for the purpose of supplying water to his ranch. Around 1928, a portion of the property comprising the ranch was subdivided into residence lots and sold to the public. In 1938 the system was serving 35 consumers by means of 3,535 lineal feet of pipe, ranging from 4 inches to 1 inch in diameter.

In 1938, when the defendant obtained this water system, it had an estimated original cost value of \$14,341. No depreciation reserve was shown on the appraisal made by the Commission's engineers at that time. The wells and infiltration galleries were estimated at 50 years of age, with a probable life of 100 years. One 5-horsepower pump was then 11 years old. Most of the pipe at that time was 11 years old or older. These facts have been recited to show that the system as a whole was approximately 40% depreciated at the time it was acquired. There are now approximately 110 service connections.

A public hearing on this complaint was held before Examiner Edwards on December 12, 1950, at the City Hall in San Carlos, California. At this hearing seven customers testified regarding the characteristics of the water and corroborated the allegations contained in the formal complaint. In addition, the Fire Chief of the City of San Carlos testified as to the inadequacy of the system with regard to fire protection.

Several customers testified regarding the difficulties in using the water for the ordinary domestic purposes of laundering, dish washing, cooking, and drinking unless a domestic water softening system first was installed. Such softening systems cost approximately \$3 per month to rent or own and operate, which

makes the total monthly cost of water rather high. The defendant's rate for water service is \$2.50 per month for the first 700 cubic feet or less, plus 35 cents per 100 cubic feet for all usage beyond 700 cubic feet per month. One customer brought to the hearing two samples of water taken from his kitchen tap that contained an objectionable amount of sediment and discoloration in the water. Others complained of the short life of water heaters where no water softening system was installed, the low pressure when lawns were being irrigated, the fluctuation in the hardness of the water, and an occasional overdosage of chlorine in the water following tests which show the water requires treatment.

Since the service area is within the city limits of San Carlos, the city provides the fire protection service and is interested in having sufficient water available to fight fires. Fire Chief Clark testified that the growth in this area has been so rapid in the last few years that he notified the City Manager of the condition developing and obtained permission to request a survey by the Board of Fire Underwriters. The Board's report was made available to the complainants and was attached to their complaint. From the tests, the Chief concluded that only two of the hydrants would give sufficient flow for any fire protection and that they were both below the minimum desirable flow of 500 gallons per minute. The hydrants are so far apart that the fire department may have to extend 700 feet of hose and use two pumpers to fight fires in certain locations in that area. The city pays a rate of \$1.50 per month per hydrant for three fire hydrants.

Before the hearing was concluded the defendant gave testimony to supplement some of his formal answers. By next summer he expects to provide an additional 100,000 gallons of storage. He has recently installed 3,000 feet of 2-inch pipe, 600 feet of 2½-inch pipe, and 1,400 feet of 3-inch pipe. Some of the upper

area, where pressure is now low, recently has been placed on a separate zone system and water for such zone obtained from the nearby California Water Service Company's system.

This separate zone will be supplied with a better quality of water and higher pressure than heretofore supplied and should therefore materially improve the service in this portion of the service area and satisfy the complaints. Obtaining this supply from an outside service will make a more adequate supply available to the lower zone and minimize the turbid water condition complained of. Defendant will be ordered to cease pumping and delivering local water into this upper zone and obtain all of the supply for this area by purchase from California Water Service Company.

With regard to the complaint of fluctuations in the hardness of the water, he admitted that it varied from time to time, depending upon the source of water. Water pumped from the wells in the area is harder than supplemental water purchased from the California Water Service Company. He maintains that his reason for not shutting down his wells and purchasing all water from said company is that his expenses would be increased to the point where increased rates would be necessary.

On the subject of discoloration and sediment in the water, he testified that this condition appears during the first rain storm of the season and clears up in one to one and one-half days thereafter. Part of his water supply is obtained from a subterranean basin below a creek bed, and apparently the gravel in the creek does not filter out all of the mud during the first seasonal runoff. Under cross-examination he admitted that he had no regular flushing program for clearing pipes of sediment or rust. Nevertheless, a thorough and systematic flushing of the mains would quickly eliminate this unnecessary condition.

In reply to the charge of occasional excessive chlorine in the system, he admitted that supplementary chlorine doses are introduced into the system as a safety measure during periods of high turbidity of the local water. The condition might also be due to some residual chlorine, following disinfection, when mains are installed or repaired. He claims his usage of chlorine is under the supervision of, and in accordance with, the requirements of the county health department.

It is apparent that the past method of operation has resulted in the delivery of an unsatisfactory quality of water. In the future, defendant will be expected to purchase water from the California Water Service Company for delivery to the lower zone whenever local production sources yield turbid water after a regular main flushing program is instituted.

The annual reports of the utility were made a part of the record by reference and are summarized for the years 1946-1949 as follows:

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>
Gross Revenue	\$ 4,322	\$ 4,321	\$ 4,389	\$ 4,512
Expense (Incl. Depr. and Taxes)	2,649	3,255	3,493	4,060
Net Revenue	1,673	1,066	896	452
Fixed Capital	17,955	18,281	18,808	21,278
Depreciation Reserve*	2,470	2,829	3,194	3,577
Rate Base	15,485	15,453	15,614	17,701
Rate of Return	10.8%	6.9%	5.7%	2.6%

\* Depreciation Reserve accumulated only since 1938.

The annual reports of the utility indicate that the net revenue and net return on fixed capital installed are decreasing each year because of increasing operation expenses, resulting from the necessity of purchasing greater quantities of water from California Water Service Company. The rates of this latter company

recently were increased to cover added cost of water purchased by that company from the City of San Francisco Water Department. This increase has already been reflected in the cost of water sold to defendant and will result in additional operating expenses, in accordance with the volume of water purchased. It is apparent that defendant cannot be expected to make an unreasonable expenditure in fixed capital requiring the replacement of practically the entire distribution system to provide the fire service requested without proper provision first having been made for adequate reimbursement since it cannot be financed from present earnings. The record shows that defendant is rendering incidental fire service from the system, available where the mains are of sufficient capacity. Defendant's proposed additional improvements, consisting of increased storage and the interconnection of the upper zone with California Water Service Company system, while not designed to provide the fire protection desired by the Board of Fire Underwriters, appear sufficient to provide improved pressures in territory where the complaints arose and further provide for a better quality of water than heretofore furnished.

Customers in this area are familiar with and expect the same high quality of service rendered in adjoining areas at approximately the same rates. In the future increased demands for service may require additional expenditures in fixed capital without correspondingly increasing utility earnings. It then may be difficult to justify a substantial differential in rates as compared with adjoining territory. Serious consideration should be given to these facts by the owner when planning future capital and operation expenditures.

After considering all of the evidence submitted herein, the Commission concludes that the defendant should be permitted to

test the effect of the improvements now being made on the domestic service. It appears that the complainants will receive improved service and a better quality of water. While defendant is taking steps through installation of substantial improvements which should relieve complaints in part as to domestic water service, he will be required to operate the system in accordance with the manner herein prescribed.

O R D E R

The above-entitled complaint having been filed with this Commission, a public hearing having been held thereon, the matter having been submitted and now ready for decision,

IT IS HEREBY ORDERED that George Faulstich, owner of the San Carlos Manor Water System, shall take the following steps to improve water service in the San Carlos Manor Subdivision and vicinity:

1. On and after May 15, 1951, defendant shall supply the upper area, including customers on Manor Drive and Madera Avenue, only by means of water obtained from the California Water Service Company.
2. Starting May 15, 1951, defendant must adopt a program for regular flushing of mains and pipes and furnish a monthly report to the Commission showing the number of times and duration of flushing period each month. The first report shall cover the month of May, 1951, and will be due June 10, 1951, and subsequent monthly reports shall be due regularly on the tenth day of each month thereafter for a period of 12 months.



3. During any period whenever the local water sources are turbid, defendant shall purchase such supplemental water as is required from the California Water Service Company to supply water of satisfactory quality.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 17<sup>th</sup> day of April, 1951.

R. T. [Signature]  
James F. [Signature]  
Harold F. [Signature]  
Kenneth F. [Signature]  
John E. [Signature]  
Commissioners