

ORIGINAL

Decision No. 49352

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 WILLIAM G. HAY and DELIA HAY, doing)
 business as POINT ARENA WATER WORKS,) Application No. 34526
 for authority to discontinue the)
 present public utilities water)
 service at Point Arena, California.)

In the Matter of the Application of)
 WILLIAM G. HAY and DELIA HAY, doing)
 business as POINT ARENA WATER WORKS,)
 to increase rates and for an interim)
 order increasing rates effective)
 retroactively as of the date of this) Application No. 34527
 application and for an order permit-)
 ting applicant to limit water service)
 to customers serviced as of the date)
 of this application.)

Applications of MINNIE CREMONINI to)
 transfer public water utility system)
 known as POINT ARENA WATER COMPANY, to) Application No. 34790
 DELIA HAY, and from DELIA HAY to her-)
 self and husband, WILLIAM HAY.)

CITY OF POINT ARENA,)
)
 Complainant,)

vs.)

Case No. 5484

WILLIAM G. HAY and DELIA HAY, doing)
 business as POINT ARENA WATER WORKS.)
)
 Defendants.)

Morris M. Grupp, for applicants and defendants
Charles Kasch, for City of Point Arena,
 protestant and complainant.
Frank Austin and Martin Abramson, for the
 the Commission staff.

O P I N I O N

On July 9, 1953, William G. Hay and Delia Hay, doing busi-
 ness as Point Arena Water Works, filed Application No. 34526 to
 abandon service and Application No. 34527 to increase rates and

limit water service to customers serviced as of July 9, 1953. Case No. 5484, which is a complaint regarding water service, was filed by the City of Point Arena against said William G. Hay and Delia Hay, doing business as Point Arena Water Works, on August 19, 1953. These three matters were consolidated for hearing on a single record and all will be considered in this decision. Public hearings were held at Point Arena before Examiner Cline on Monday, September 14, and Thursday, October 1, 1953. The matters were taken under submission subject to the filing of briefs and the filing of a transfer application to be considered jointly with the other two applications and the service complaint. Application No. 34790 requesting authorization for certain transfers was filed October 13, and the last brief was filed October 14, 1953.

Description of System

The source of water supply for the system consists of a series of springs and two wells which are situated on property owned by the Hays and a spring located on the Culley property. The water from the springs is collected in settling boxes and is then piped into two covered wooden flumes that parallel each other and discharge into separate storage tanks. The Commission staff engineer estimated that at the time he investigated the system the springs were supplying approximately 15 gallons per minute to the four storage tanks which have a combined capacity of approximately 226,000 gallons.

One of applicants' wells, which is located in the vicinity of their residence, discharges a small amount of water into the wooden flume through a $\frac{1}{2}$ -hp turbine pump. The other well has an 8-inch casing, is 165 feet deep, and is equipped with a $1\frac{1}{2}$ -hp electric motor directly connected to a deep well turbine pump. This well supplies approximately 7 gallons per minute through a $1\frac{1}{4}$ -inch

pipeline to the 40,000-gallon storage tank of applicants, which supplies the high area of the city. During the late summer months this well can be utilized only intermittently during the day as the available underground water is limited.

A gasoline Homelite portable pump and a series of pipelines are available to divert water into any of four storage tanks as each becomes full. The water is distributed from the tanks by gravity through approximately 11,875 feet of pipe varying in size from 3/4 to 6 inches, to a high and a low section of the City of Point Arena.

At the insistence of the county health authorities applicants Hay are now chlorinating the water, and recent tests show that it meets the health requirements.

A short time prior to the hearing, because of the extreme shortage of water, the City of Point Arena arranged for an additional supply of water from the McMillen Spring situated on Point Arena Creek a few hundred yards from the storage tanks of applicants Hay. In order to divert the water from the McMillen spring to the 65,000-gallon storage tank, the city has borrowed two portable gasoline pumps from the National Guard in Santa Rosa and approximately 1,500 feet of 3-inch fire hose from the Civilian Defense Organization. A chlorinating unit has been obtained from the county health authorities. The city has arranged for the installation of the equipment and is bearing the expense of maintaining and operating it. The pumps are operated from 8 to 12 hours per day and are able to supply an additional 500 to 600 gallons of water per hour to the storage tanks. As a result of the emergency measures taken by the city, the gravity of the water shortage has been considerably minimized.

The system is serving approximately 135 consumers of which 105 are metered.

Financial Responsibility

In addition to operating the Point Arena Water Works, applicants William G. Hay and Delia Hay operate a ranch near the City of Point Arena and a meat market in the City of Point Arena. Exhibit No. 15, which is the statement of net worth of William G. Hay and Delia Hay as of July 1, 1953, shows current assets in the amount of \$4,244.47, consisting of cash, accounts receivable, inventory merchandise and 25 head of cattle, and depreciated fixed assets in the amount of \$42,707.48, consisting of a store building, store equipment, a dwelling, the Iverson Landing property, the home property and the water works. The depreciated water works is shown on the statement at \$26,702.90. A real-estate contract in the amount of \$9,415.30 brings total assets to \$56,367.25. Current liabilities in the amount of \$3,956.81, a government fine of \$2,700 and a \$2,000 deed of trust, when deducted from total assets, leave a net worth of \$47,710.44. Exhibit No. 15 also contains the statement: "There is also a definite civil liability on the government case. The amount of that liability and attorney's fees is unknown at this time."

Proposed Transfers

The record shows that prior to 1941 the water system was owned by M. J. Pellascio and George Cremonini, the husband of Mrs. Margaret Cremonini and the father of Delia Hay and Minnie Cremonini. In 1941 George Cremonini died and his widow, Mrs. Margaret Cremonini, became entitled to succeed to his interest in the water system. M. J. Pellascio deeded his interest in the water system to Mrs. Margaret Cremonini by deed dated January 7, 1946 and recorded May 4, 1948. Mrs. Margaret Cremonini died in December of 1948. Minnie Cremonini was appointed executrix of the last will of Mrs. Margaret Cremonini. On March 10, 1950, a decree of distribution was entered distributing the estate of Mrs. Margaret Cremonini,

supposedly in accordance with an agreement under which Delia Hay was to receive the entire water system. However, the decree as drawn did not include the entire water system among the assets distributed to Delia Hay, the omitted portions being distributed to Minnie Cremonini.

Both Delia Hay and Minnie Cremonini testified that Delia Hay was supposed to have been the owner of the entire water system. Delia Hay testified that she has converted her separate property interest in the water system into community property of herself and her husband, William G. Hay. The record shows, and we hereby find, that William G. Hay and Delia Hay, his wife, have possession and control of the water system properties herein described and at least since 1952 have been jointly operating these properties as a public utility water system furnishing and offering to furnish service within the City of Point Arena.

In order to clear the title to the water system in William G. Hay and Delia Hay, his wife, said William Hay and Delia Hay and Minnie Cremonini have filed Application No. 34790 requesting authority from this Commission for Minnie Cremonini to execute a grant deed in the form of Exhibit A attached to said Application No. 34790, conveying the water system to Delia Hay, and for Delia Hay to execute a grant deed in the form of said Exhibit A conveying the water system to Delia Hay and William Hay, her husband.

In order to assist said Delia Hay and William G. Hay in clearing their title to the properties of the water system, this Commission will authorize the transfers requested in Application No. 34790 and will also authorize the transfer of the interest of the Estate of George Cremonini in said public utility water system properties to the Estate of Mrs. Margaret Cremonini and the transfer of the interest of the Estate of Mrs. Margaret Cremonini in the water

system properties to Delia Hay and Minnie Cremonini, or either of them. This Commission will also authorize M. J. Pellascio to execute a quitclaim deed to said water system properties in favor of said William G. Hay and Delia Hay, his wife. The Commission hereby finds that said transfers will not be adverse to the public interest.

Adequacy of Service

The City of Point Arena has filed a complaint against William G. Hay and Delia Hay, doing business as Point Arena Water Works, alleging that their supply of water is inadequate to meet the requirements of their consumers for domestic and household purposes, for fire protection, and for sanitation and sewage disposal. The record supports these allegations of the complainant.

For the past several years there has been a deficiency in the water supply during the summer and through the fall until the rains commence. In more recent years the City of Point Arena has passed ordinances severely restricting the use of water during the period of shortage.

Witness Richard R. Carey, public accountant engaged by applicants, testified that since 1950 the Hays have added \$8,836.45 of capital improvements to the system. This figure may include sums expended on wells drilled which did not prove productive and does include \$397.55 spent on a storage tank not in use. These expenditures have not resulted in the development of an adequate source of water.

The City of Point Arena engaged Clair A. Hill, a civil engineer, to make a report on a water system for the City of Point Arena. A copy of this report was introduced into evidence as Exhibit No. 9.

Mr. Hill recommended that the City develop a new source of water at the Garcia River to supply an ultimate 400 gallons per

minute for distribution to consumers in the City. He estimated that the proposed pump house, pump, infiltration gallery, and chlorinator would cost \$8,400 complete and ready to pump. The proposed 8-inch main from the Garcia River to Point Arena, together with the necessary valves and safety features, was estimated to cost \$29,030. The project complete with overhead including bonding expense, legal fees, and engineering fees was estimated to cost \$53,605. He also recommended that City of Point Arena purchase the existing tanks, distribution system and services to deliver water, which are owned by the Point Arena Water Works.

Engineer Hill further recommended that the second stage of construction should be the installation of new mains throughout the City and in some cases new services. He also recommended that new fire hydrants should be installed and that an entire reconstruction of the distribution system and storage system from a hydraulic standpoint should be made.

The City of Point Arena has investigated ways and means of acquiring the system of the Point Arena Water Works and of financing the necessary additional improvements to effect an adequate water system for the City, but no other action has been taken. Bonding limitations prevent the City of Point Arena from voting a bond issue to carry out fully the recommendations of Engineer Hill at this time. An offer by William Hay and Delia Hay to sell portions of the water system to the City of Point Arena for the sum of \$15,000 has been withdrawn because its terms of acceptance were not complied with by the City.

The financial resources of applicants William G. and Delia Hay do not appear to be sufficient to justify requiring them to extend their mains to the Garcia River in order to obtain an adequate supply of water for the system and to carry out the other recommendations of Engineer Hill.

The City of Point Arena itself however, has pointed the way to a supplemental, if not completely adequate, source of water which it is economically feasible for William G. Hay and Delia Hay to acquire, namely, the McMillen spring at Point Arena Creek. This supplemental source of water is required for the system during the dry months of the year. Applicants Hay have the primary responsibility for furnishing water to the consumers in the City of Point Arena. They cannot expect the City of Point Arena itself to continue furnishing them water from the McMillen spring to augment their supply.

The Commission staff engineer testified that the expenditure of \$2,000 to \$2,500 would be required to install a pump and mains permanently to connect the McMillen spring to the existing system. No evidence was introduced regarding the value of the McMillen spring. The record does show that Mr. McMillen prefers to furnish water to the City rather than to the Point Arena Water Works.

Said applicants Hay will be required to supplement their water supply with water from the McMillen spring. If they are unable to acquire this supply by negotiation with the owners, they can exercise the right of condemnation as a public utility.

The Commission staff engineer recommended that applicants Hay make the following improvements in the system which can be made with only a moderate outlay of capital:

1. The roof covers for the 40,000-gallon and 65,000-gallon storage tanks which were removed by a windstorm should be restored.
2. The applicants should fence in the spring area located below their residence.
3. The spring located on the Culley property should be cleaned out.
4. The small well should be sealed to protect it from surface runoff.

The record shows that the small well has already been sealed to protect it from surface runoff. Applicants Hay have made

no objection to complying with the other recommendations and will be ordered to do so.

Prior to commencement of chlorination of the water supply most of the samples tested by the County Health Department showed contamination and some samples showed gross contamination. Applicants have recently begun chlorinating the water and the tests since that time have been satisfactory.

The water is being chlorinated by carboys which is an inefficient method of chlorinating. Both witness Long (the county sanitarian) and the Commission staff engineer recommended that automatic chlorination units be used instead of carboys. Witness Long testified that automatic chlorinating machines would cost approximately \$600 each plus perhaps an additional \$200 to install. Two such machines would be required to service the system.

The chlorination of the water supply should be continued on a permanent and efficient basis. Applicants William G. Hay and Delia Hay will therefore be required to install an automatic chlorinator on their present system and also one on the McMillen spring supply when acquired.

Proposed Rates

The rate schedule for water service now applied has been in effect since October 23, 1932.

The table below sets forth applicants' present and proposed rates.

Metered Rates

		<u>Per Meter per Month</u>	
		<u>Present</u>	<u>Proposed</u>
		<u>Rates</u>	<u>Rates</u>
Quantity Rates:			
First	400 cu.ft. or less	\$1.50	\$ 7.50
Next	600 cu.ft. per 100 cu.ft.	.25	1.25
Over	1,000 cu.ft. per 100 cu.ft.	.15	.75
Minimum Charges:			
For	5/8 x 3/4-inch meter	1.50	7.50
For	3/4-inch meter	2.00	10.00
For	1-inch meter	3.00	15.00

Flat Rates

		<u>Per Service per Month</u>	
		<u>Present</u>	<u>Proposed</u>
		<u>Rates</u>	<u>Rates</u>
For all users	\$1.50	\$ 7.50

Results of Operation

Witness Carey estimated that the gross revenue required to produce a reasonable return on a depreciated rate base of \$26,000 would be \$6,932. In making this estimate he allowed \$3,252 for operating expenses, \$2,440 for wages for Mr. Hay, \$1,040 for return on \$26,000 at 4 per cent per year, and \$200 additional expense to bring the system up to date. His Exhibit No. 14 showed \$3,128.09 of gross revenue at present rates for 1952. No estimate of gross revenue was made for future years at present or at proposed rates. On the basis of these estimates applicants proposed 400 per cent increase in rates is obviously unreasonable.

Witness Carey on cross-examination testified that in computing the \$26,000 rate base he added additions made in 1950, 1951

and 1952 to the amounts set forth as of January 1, 1950, in the annual report of Point Arena Water Works to the Public Utilities Commission for the year ending December 31, 1950. He stated that he made no investigation regarding the amounts set forth in the 1950 annual report, that he knows nothing concerning the original cost of properties installed prior to January 1, 1950, and that he has made no inspection of the physical properties to determine their present condition. In computing additions he may have included wells drilled which did not prove productive. He included one storage tank which is not in use in the system.

The Commission staff engineer submitted a depreciated rate base of \$23,000 based on an estimate of original cost. He estimated that an 80 per cent increase in rates would produce gross annual revenues of \$5,630 and that after deducting operating expenses of \$2,705, wages for owners of \$1,350, and income taxes of \$362, the net revenues would be \$1,213. The annual rate of return on the \$23,000 rate base would be 5.27 per cent. We hereby adopt the estimates of the Commission staff engineer and find that the rate of return of 5.27 per cent is reasonable.

The City of Point Arena has interposed no objection to an 80 per cent increase in rates.

The rates set forth in Exhibit A attached hereto will produce the amount of revenue required to increase gross revenues 80 per cent. They are hereby found to be reasonable and will be authorized.

Accounting

The record indicates that applicants' records are inadequate to permit a ready determination of their investment and results of operations. They hereby are placed upon notice that they are required to set up and maintain a record of their revenues and of their expenditures, the latter segregated between fixed capital and

operating expenses. They will be expected to file promptly their annual reports.

Limitation of Service and Abandonment

The record shows that no water system other than that of applicants Hay is available to furnish water service to the consumers within the existing limits of the City of Point Arena, and that an additional source of water is available to applicants Hay from the McMillen spring. We hereby find that the request of applicants Hay for authority to limit water service to the customers served as of July 9, 1953, and for authority to abandon service is not in the public interest and should be denied. In order to meet their public utility obligations applicants Hay must take a positive approach to the service problems with which they have been and are now confronted.

O R D E R

The above-entitled applications and case having been considered, a public hearing having been held on Applications Nos. 34526 and 34527 and on Case No. 5484, it having been determined that a public hearing is not required on Application No. 34790, the matters having been submitted and now being ready for decision,

The Commission hereby finds as a fact and declares that (1) William G. Hay and Delia Hay, his wife, doing business as Point Arena Water Works, by reason of their owning, controlling, operating and managing the water system heretofore described in the opinion herein in the City of Point Arena are a public utility subject to the jurisdiction, control and regulation of this Commission, (2) public interest, convenience and necessity require that said public utility water system continue to be managed, operated and controlled by said William G. Hay and Delia Hay, his wife, (3) the transfers authorized herein are not adverse to the public interest, (4) the improvements

in the system herein required are necessary in the public interest and when such improvements are completed further adjustments in the rates may be warranted, (5) the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from those herein prescribed for the future are unjust and unreasonable, and (6) the granting of the requests of applicants Hay to limit service and to abandon service would be adverse to the public interest; therefore,

IT IS HEREBY ORDERED that:

1. William G. Hay and Delia Hay, his wife, are hereby directed to continue to manage and operate the public utility water system heretofore described in the opinion and findings herein.
2. The Estate of George Cremonini is hereby authorized to transfer its interest in and to the properties of the public utility water system herein described to the Estate of Mrs. Margaret Cremonini, and the Estate of Mrs. Margaret Cremonini is hereby authorized to transfer its interest in and to the properties of said public utility water system to Delia Hay and Minnie Cremonini, or either of them. M. J. Pellascio is hereby authorized to execute a quitclaim deed to said public utility water system properties in favor of William G. Hay and Delia Hay, his wife. Minnie Cremonini is authorized to transfer her interest in and to said public utility water system properties to Delia Hay by means of the execution and delivery of a grant deed in the form of Exhibit A attached to Application No. 34790. Delia Hay is hereby authorized to transfer her interest in and to said water system properties to William G. Hay and Delia Hay, his wife, by means of the execution and delivery of a grant deed in the form of Exhibit A attached to said Application No. 34790. Copies of the documents by which the transfers authorized herein are effected shall be filed with this Commission within thirty days after the date of execution and delivery.
3. William G. Hay and Delia Hay, his wife, shall, within three months after the effective date of this order acquire the supplementary water supply available at the McMillen spring on Point Arena Creek together with the necessary easements and rights of way to enable them to connect said supplementary water supply to their existing system, or institute condemnation proceedings for the purpose of acquiring said water supply together with said easements and

rights of way, and within thirty days after said acquisition of property or after the institution of said condemnation proceedings, file with this Commission copies of documents by which said properties were acquired, or copies of the pleadings filed to institute condemnation proceedings, as the case may be.

4. Within three months from the date William G. Hay and Delia Hay have the legal right to do so they shall install the necessary pumps, automatic chlorinator, mains and other equipment necessary to chlorinate the water and to connect said supplementary supply of water to their existing public utility water system, and within thirty days after the installation of said improvements, notify the Commission in writing of the completion of said installations.
5. William G. Hay and Delia Hay, his wife, shall within three months after the effective date of this order make the following other improvements to the water system described herein, and within thirty days after the installation of said improvements, notify the Commission in writing of the completion of said installations:
 - a. Install an automatic chlorinator to chlorinate their existing water supply.
 - b. Restore the roof covers for the 40,000-gallon and 65,000-gallon storage tanks.
 - c. Fence in the spring area located below their residence.
 - d. Clean out the spring located on the Culley property.
6. William G. Hay and Delia Hay, his wife, doing business as Point Arena Water Works, are hereby authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Appendix A attached hereto, together with rules and regulations and tariff service area map acceptable to this Commission, and, on not less than five days' notice to the public and to this Commission, make said rates, rules and regulations effective for all water service rendered on and after January 1, 1954.
7. William G. Hay and Delia Hay, his wife, shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings the various tracts of land

and territory served and the location of the various public utility properties of the water system herein described.

- 8. Application No. 34526 is hereby denied.
- 9. Except to the extent granted by this order, Application No. 34527 is hereby denied.

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

Dated at San Francisco, California, this 24th day of November, 1953.

A. Z. Anderson
President
Justus J. Caswell
Samuel L. Potts
W. L. McMill
Gene Higgins
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the existing incorporated limits of the City of Point Arena, Mendocino County.

RATES

Quantity Rates:	For Meter per Month
First 400 cu.ft. or less	\$2.70
Next 600 cu.ft., per 100 cu.ft.45
Over 1,000 cu.ft., per 100 cu.ft.27
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$2.70
For 3/4-inch meter	3.50
For 1-inch meter	5.50
For 1-1/2-inch meter	7.00
For 2-inch meter	10.00

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

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Schedule No. 2

FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all water furnished on a flat rate basis.

TERRITORY

Within the existing incorporated limits of the City of Point Arena, Mendocino County.

RATES

Per Service
per Month

For each single family residence, including premises
not exceeding 10,000 square feet in area:

For 3/4-inch service connection	\$2.70
For 1-inch service connection	5.50
For each additional single family residence situated on the same premises	2.00

For each duplex or multiple family residence, including
premises not exceeding 10,000 square feet in area:

For first two residential units	5.00
For each additional residential unit in excess of the first two	2.00

For each additional 100 square feet of area of premises
in excess of the 10,000 square feet provided for
under Items 1 and 2, above

.03

For each store or shop having no other plumbing fixtures
than lavatories and toilets

2.70

For each bar, cafe or service station

3.50

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be
furnished only on a metered basis.

2. Meters may be installed at option of utility or customer for above
classifications in which event service thereafter will be rendered only on
the basis of Schedule No. 1, General Metered Service.