

ORIGINALDecision No. 49380

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the ZAYANTE WATER COMPANY, a corpora-)
 tion, for Authority to Increase Rates) Application No. A-34190
 for Water Service in the Unincorporated)
 Community of Zayante, Santa Cruz County.)

John C. Luthin, for applicant.
Roy A. Annis, in propria persona.
C. Garrity, for the Commission staff.

O P I N I O N

By the above-entitled application, filed March 27, 1953 and as amended September 4, 1953, Zayante Water Company, a California corporation, seeks an order of this Commission authorizing an increase in rates and charges for water service rendered in an unincorporated area known as Zayante Lakes, located about 10 miles northerly from the City of Santa Cruz.

A public hearing in the matter was held before Examiner Emerson on October 1, 1953 at Santa Cruz. A number of applicant's customers were in attendance. Five entered complaints respecting service conditions and expressed opposition to applicant's rate proposal.

Applicant's Position and Request

Applicant alleges that operating results for the past several years have shown alternate plus and minus net incomes with a net loss for the past five years aggregating \$852. Applicant has endeavored to provide adequate service despite such adverse financial conditions. However, continued rising costs of materials, labor and pumping leave applicant in a constantly worsened earning position which, it is claimed, precludes applicant from improving or

correcting known service deficiencies unless substantial rate relief is obtained. Under present rates applicant's books show a net loss of \$490 for the year 1952 and it estimates a net loss of \$581 for operations during 1953. Applicant seeks a reasonable return on its investment in water properties.

Applicant proposes that the annual minimum charge for metered water service be increased from \$21 to \$30 and that the monthly minimum charge be increased from \$1.75 to \$2.50. An increase from \$24 to \$33 in the annual flat rate charge is also proposed. With respect to measured deliveries applicant also proposes to reduce the quantity of water served for the minimum charge from 500 cubic feet per month to 300 cubic feet per month.

Applicant's Operations

The area served is a wooded and mountainous territory in a narrow strip about $\frac{1}{2}$ mile wide and 2 miles long lying along Zayante Creek, about 3 miles east of Felton. During 1948 a maximum of 166 service connections were on the system. Since that time the active service connections have declined until, at the present time, there are 153 active services, 117 of which are metered. Service connections are widely separated along approximately 4 miles of pipelines. Approximately 30 per cent of the present customers are year-round residents, the balance being seasonal and primarily summer residents.

Applicant has no full-time employees. Its system is operated and maintained by employees of Monterey Bay Water Company whose offices are at Soquel, and field work charges therefor are based upon the actual time expended. Office expenses are prorated on the basis of services, revenues, operating expenses and fixed capital. No overhead charges are assessed against Zayante by the Monterey Bay Water Company.

The water supply is obtained by direct diversion from Zayante Creek, is treated for turbidity removal and for purification and is then pumped into two storage tanks from which it flows throughout the distribution system by gravity. Available static water pressures vary from about 20 psi at the highest elevation served to about 100 psi at the lowest point on the system. The mains are 3 inches and smaller in nominal diameter, the smaller sizes predominating, and much of the pipe system is quite old.

Summary of Presentations

Applicant's secretary and engineer, and an engineer of the Commission staff presented reports which set forth in detail the results of operations for the years 1952 and 1953. These are summarized as follows:

Year 1952, Actual and Adjusted

Item	Applicant		CPUC Staff	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 3,551	\$ 4,990	\$ 3,551	\$ 5,100
Operating Expenses				
Before Taxes and Deprec.	3,255	3,255	3,200	3,205
Taxes	196	491	230	525
Depreciation	590	590	699	699
Total Operating Expenses	4,041	4,336	4,129	4,429
Net Revenue	(490)	654	(578)	671
Rate Base (Deprec.)	11,493	11,493	10,000	10,000
Rate of Return	loss	5.7%	loss	6.7%

(Red Figure)

Year 1953, Estimated

Item	Applicant		CPUC Staff	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 3,530	\$ 4,980	\$ 3,550	\$ 5,100
Operating Expenses				
Before Taxes and Deprec.	3,280	3,280	3,305	3,305
Taxes	180	448	240	475
Depreciation	651	651	746	746
Total Operating Expenses	4,111	4,111	4,291	4,531
Net Revenue	(581)	601	(741)	569
Rate Base (Deprec.)	11,676	10,763	10,800	10,800
Rate of Return	loss	5.6%	loss	5.3%

(Red Figure)

Applicant is clearly in need of increased revenues and in no lesser amount than that sought.

Customer Participation

A number of applicant's customers attended the hearing in the matter and five offered testimony. Others who could not be present commented upon applicant's rate proposal by means of letters addressed to the Commission. The witnesses were unanimous in their complaints respecting past and present service deficiencies and in their objections to paying a higher rate for a lesser quantity of water. For a number of years they have experienced periods of water shortage, discolored water, low-volume availability in a number of cases, and water containing odors or of poor taste.

Apparently many of the summer season people bring bottled water from other areas for their occasional usage over week-end and holiday trips to Zayante. Such a situation may aggravate the conditions of poor taste and discoloration of the water by permitting accumulation of rust and other suspended matter in the lines and particularly in the pipes on their own premises. The water served by applicant is treated with chlorine as a means of protecting the health of its patrons. Some of the odor and taste may be attributed to such treatment as the results of combinations of the chlorine with organic matter, such as leaves, normally found in any natural stream. There is nothing harmful in such "woody" taste. Discoloration, however, should be slight, even during the rainy season, if applicant's treatment plant is functioning properly. The facilities for turbidity removal were designed by a competent engineer and are relatively costly. To permit their malfunctioning is not to the best interest of either the consumers or the utility. In view of the evidence, we are of the opinion that applicant can correct present deficiencies in this respect by instructing its maintenance men to

more closely control the operation of such facilities. Even after proper functioning of the plant, improvement, to be of greatest benefit to the consumers, will require flushing of mains and house lines at intervals.

Applicant is fully aware of the periods of water shortage and the conditions of low-volume availability. To meet the shortage problem, applicant is now engaged in installing a 20,000-gallon storage tank to replace one of its two 10,000-gallon tanks. The replaced tank will be reinstalled at another and higher location. Applicant is also installing 1,100 feet of larger main from the new 20,000-gallon tank to the main road through Zayante. An additional volume of water will thus be provided. Applicant is expending \$2,675 for such improvements.

Some of the present customers feel that they are now paying excessive bills for the short periods in which they are able to be at their summer homes. It should be apparent to them, however, that the water system must be so constructed and maintained that the total demands of all customers may be met. The physical system may not be expanded during periods of high demand and contracted during periods when little water is used, nor can maintenance and repairs be foregone if the system is to continue to serve its customers. It appears that the system is being run as economically as the water requirements of the consumers will permit. The present costs of operation, as above tabulated, are in no instance more than reasonable. The utility is entitled to a halting of its losses and an improvement in its financial position.

Conclusions

Applicant's need for increased revenues in the amount requested has been clearly demonstrated. Increased rates will be authorized without decreasing the quantity of water, to which the minimum charge shall apply, to the full extent requested by applicant. An intermediate blocking will also be established.

Applicant will be required to complete its present plans for alleviation of service deficiencies and, further, to investigate and report to this Commission on the implementation of a flushing program to meet the needs for the same hereinabove discussed. Upon receipt of such report this Commission may issue a supplemental order herein directing applicant to proceed with such a program should the feasibility thereof and the necessity therefor not be disproven by said report.

Applicant will be required to modernize its rules governing its relations with its customers.

O R D E R

Zayante Water Company having applied to this Commission for an order authorizing increased rates, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized are justified and that present rates, in so far as they differ from those authorized herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedules of rates set forth in Appendix A attached to this order and, after not less than five days' notice to the public and this Commission, to make said rates effective for all water service rendered on and after January 1, 1954.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the entire area served in Zayante, located approximately 3 miles east of Felton, Santa Cruz County.

RATES

Monthly Quantity Rates:		<u>Per Meter Per Month</u>
First	400 cu.ft. or less	\$ 2.50
Next	600 cu.ft., per 100 cu.ft.40
Next	2,000 cu.ft., per 100 cu.ft.30
Over	3,000 cu.ft., per 100 cu.ft.25
Annual Minimum Charge:		<u>Per 5/8 x 3/4-inch Meter per Year</u>
Entitling the customer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the monthly quantity rates		\$30.00

SPECIAL CONDITIONS

1. The above annual minimum charge applies to service during the 12-month period commencing January 1, and is due in advance. A customer who has established his permanency by having taken service at the same location during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.
2. For initial service the above annual minimum charge will be prorated.
3. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

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Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

4. Any consumer who discontinues service and subsequently requests resumption of service at the same location will not be reconnected until the applicable annual minimum charge and the reconnection charge shall have been paid in full.

APPENDIX A
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Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service furnished consumers through a 3/4-inch service connection.

TERRITORY

Throughout the entire area served in Zayante, located approximately 3 miles east of Felton, Santa Cruz County.

RATES

	<u>Per 3/4-inch Service Connection per Year.</u>
Annual Charge:	
For the initial dwelling, store, shop or business unit	\$33.00
For each additional dwelling, store, shop or business unit supplied through the same service connection	24.00

SPECIAL CONDITIONS

1. The above flat rate applies to service during the 12-month period commencing January 1, and is due in advance. A customer who has established his permanency by having taken service at the same location during each of the preceding 12 months may elect to pay the annual flat rate charge on a monthly basis equal to one twelfth of the annual flat rate.
2. For initial service the above annual charge will be prorated.
3. Meters may be installed at the option of the utility or the customer in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.
4. Any consumer who discontinues service and subsequently requests the resumption of service at the same location will not be reconnected until the applicable annual charge and the reconnection charge shall have been paid in full.

IT IS HEREBY FURTHER ORDERED as follows:

1. Within thirty days after the effective date of this order applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules governing customer relations revised to reflect present-day operating practices, together with tariff service area map and with the current forms that are normally used in connection with customer service.
2. Within sixty days after the effective date of this order applicant shall file four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
3. Applicant shall immediately undertake an investigation as to the feasibility of regularly flushing its distribution mains. A report thereon shall be submitted to this Commission, on or before February 1, 1954, said report to be in detail and to include a statement of any capital costs and operating and maintenance expenses which may be reasonably expected in connection with full implementation thereof.

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

Dated at Los Angeles, California, this 15 day of December, 1953.

A. J. [Signature]
President

Justine J. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners