

**ORIGINAL**Decision No. 52450

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of JAMES J. DOWNEY, dba The )  
RUSSIAN RIVER TERRACE WATER ) Application No. 36896  
COMPANY for an Increase in Rates )  
for Water Service. )

John C. Luthin and James J. Downey, for applicants.  
Walter John Cavagnaro, for the Commission staff.

O P I N I O N

By the above-entitled application, filed April 19, 1955, and as amended September 8, 1955, James J. and Ethel Bryant Downey (Russian River Terrace Water Company) seek an order of this Commission authorizing increased rates for water service rendered by them in the resort subdivisions known as Forest Hills, Hollydale Park, Hollydale Beach and Russian River Terrace in Sonoma County.

Public hearing in the matter was held before Examiner F. Everett Emerson on September 21, 1955 at Sebastopol and on December 7, 1955 at San Francisco, the matter being submitted on the latter date.

Rates, Present and Proposed

Applicant's present rates were established by this Commission's Decision No. 40786, issued October 6, 1947, in Application No. 28174 and have been in effect since December 1, 1947.

Applicants have charged the metered minimum amounts to many customers, both seasonal and permanent, as the rate for water service rendered in lieu of installing meters. For the permanent customers, the charge has been \$21 per year. For seasonal customers, the charge has been \$13 per year. Applicants proposed to charge

permanent customers a flat rate of \$3 per month. For seasonal customers, applicants propose a charge of \$26 for six months' service with a charge of \$3 per month for each month in excess of the designated six-month seasonal period of May 1 to October 31.

Applicants now meter 158 of the total of 334 active service connections on the system. The monthly rate for metered service is presently \$1.75 which includes the delivery of 400 cubic feet of water. Succeeding usage blocks range from 35 cents to 20 cents per 100 cubic feet. Applicants propose to increase the charge to \$2.75 per month for the first 400 cubic feet and to leave the succeeding blocks unchanged.

Applicants estimate that the proposed rates would increase gross revenues by \$4,721 annually, based upon the level of business during the year 1955.

#### Applicants' Operations

The original water system was constructed in 1912 to serve the Russian River Terrace subdivision. In 1933 the system was extended into Forest Hills, Hollydale Park and Hollydale Beach subdivisions. Applicants obtained the system, by purchase, in 1947.

The water supply for the system is obtained primarily from four wells located on the banks of the Russian River. Secondly, water is obtained from two springs, used only during the winter months.

Water is pumped into the distribution system balanced with seven storage tanks. The tanks reportedly have an aggregate capacity of 117,200 gallons. The distribution system contains about 25,600 feet of main. The water is not now chlorinated but soon will be on orders of the Board of Health.

Applicants also own and operate four other water systems.<sup>1/</sup> Operational and other field work for all five of applicants' systems is done by Mr. Downey and a superintendent who employs additional temporary help as required. During 1955 a field man was employed for a six-month period. During 1956 it is intended to employ such a man on a full-time basis.

#### Results of Operations

An engineering consultant for applicants and an engineer of the Commission staff testified and presented exhibits concerning the results of operations of the system. Except for fixed capital and revenues, both presentations were based upon prorations of costs and expenses of applicants' over-all five-system operations, such prorations being based solely on the number of customers served on the various systems.

A summary of the presentations is as follows:

#### Results of Operations

##### PRESENT RATES

Item	Year 1954 Adjusted		Year 1955 Estimated	
	Applicant	CPUC Staff	Applicant	CPUC Staff
Operating Revenues	\$ 7,307	\$ 7,355	\$ 7,517	\$ 7,600
Operating Expenses				
Before Taxes & Depr.	7,389	8,280	9,210	8,350
Taxes	352	433	420	480
Depreciation	818	1,028	954	1,038
Tot. Oper. Exps.	8,559	9,741	10,584	9,868
Net Revenue	\$(1,252)	\$(2,386)	\$(3,067)	\$(2,268)

(Red Figure)

<sup>1/</sup> Known as Penngrove Water Company, Point Reyes Water Company, Inverness Park Water Company and Rio Dell Water Company, located in Marin and Sonoma Counties.

Results of Operations

## PROPOSED RATES

Item	: Year 1954 Adjusted :		: Year 1955 Estimated :	
	:Applicant :	:CPUC Staff:	:Applicant :	:CPUC Staff:
Operating Revenues	\$11,887	\$11,795	\$12,238	\$12,185
Operating Expenses				
Before Taxes & Depr.	7,389	8,280	9,210	8,350
Taxes	1,037	858	761	965
Depreciation	818	1,028	954	1,038
Total Oper. Exps.	9,244	10,166	10,925	10,353
Net Revenue	2,643	1,629	1,313	1,832
Rate Base (Depr.)	15,008	21,289	19,756	20,735
Rate of Return	17.5%	7.65%	6.7%	8.84%

As illustrated in the foregoing tabulations, the record shows that under the method of proration used by both the staff and by applicants, present rates are not producing net revenues. The record discloses that applicants' bookkeeping is faulty and that neither costs, expenses nor revenues are properly shown in applicants' records. It is clear, however, that applicants are not realizing a profit from present operations of this system.

While grouped together in one tabulation, the results of operations for the year 1955, above, are not comparable. According to applicants' witness the results estimated by him are better applicable to the year 1956 after system improvements may be made. The staff estimate for 1955 also recognizes some system improvements not yet made.

Service Matters

The record in this proceeding, as respects service, contains the testimony of water users that the service rendered is deficient in certain respects. Correspondence directed to this Commission by persons unable to attend the hearings<sup>2/</sup> echoes and

---

<sup>2/</sup> Made part of this record by reference.

amplifies the oral testimony given at the hearing. It is clear that some customers regularly do not receive adequate water deliveries. On occasion, one or more customers have received no water at all for a period of days. Pressures are inadequate in certain areas and some of the mains are undersized. Storage is far from being sufficient under the past and present methods of system operation. The water is sometimes odorous and discolored. Some complaints of customers either have been ignored or left unsatisfied. Applicants' superintendent testified that the system is deficient in a number of respects, particularly as to sizes and locations of mains and as to the effectiveness of water storage facilities.

The record also reveals that customers have no regular or assured means of making their needs known to applicants. No local office is available to them, nor is even a telephone number for the company listed in the local directory. In the past, recourse has been had only to occasional personal contacts with the owners or the superintendent, while visiting the system, or to telephone messages to the superintendent's home in another town or to messages left with the proprietor of a local roadside restaurant who has now closed his business.

Of the matters complained of by water users, the most serious concerned lack of water during the three-day "Memorial Day" weekend period. From the "daily reports" of the superintendent respecting replacing of well casing and the installation of a pump on Friday and Saturday of that weekend and, further, considering applicants' knowledge that such a holiday weekend ordinarily constitutes a period of maximum water demands by the public, we can but conclude that the apparent lack of foresight and scheduling which permitted such a situation to develop was inexcusable.

Applicants admit the justification of the complaints and attribute their failure to provide reasonable service during such period to their own negligent operation of the system.

The other situation complained of by several water users concerns a length of 3/4-inch pipe extending from the easterly boundary line of Hollydale Park subdivision along the highway a considerable distance to its termination at the premises of Mr. Bradbury. Approximately seven service connections are now attached to this pipeline, some serving multiple dwellings. The line is completely inadequate to serve the water users connected to it. From the evidence before us it would seem that this line was originally installed, before applicants herein owned the system, as an accommodation to the owner or occupant of the premises at the end of the line. From time to time others have been served through taps on the line. Applicants' position with respect to this line is that the line is not their property and that those served by it are outside of the dedicated service area of their utility. Enlargement or replacement of the line, they believe, should not be at the expense of the utility or its other customers but at the expense of those owning or attached to the line. While the evidence is clear that such 3/4-inch line actually lies outside of the boundaries of Hollydale Park Subdivision, neither the full status of the line nor the limits, if any, of applicants' service area are sufficiently supported by testimony to permit of a finding with respect thereto at this time. The matter may properly be the subject of a separate complaint proceeding if it does not lend itself to informal settlement between the parties affected. Under the present circumstances no new or additional service should be supplied from said line. In view of the evidence we will not order applicants to enlarge or replace the line in question at this time.

At the hearing in San Francisco, the staff engineer and Mr. Downey presented maps and detailed plans covering needed service improvements. The staff's recommendations basically concerned enlargement of mains, elimination of certain pipe dead ends and increased storage facilities. Mr. Downey's approach to the problem was basically to relocate and enlarge mains and to increase pumping capacity but not to increase storage. Both presentations have merit and it appears that the consummation of either would assure the availability of adequate facilities. The proposals of Mr. Downey respecting physical plant items, however, will not of themselves assure adequate service to the water users. Close supervision and attentive operation of the system, particularly with respect to wells and pumps, must go hand in hand with physical improvements. Applicants assert that they will employ a field man on a full-time basis and that close and regular attention will be accorded this system to the end that adequate and reasonable service will be accorded customers at all times.

Responsibility of Applicants

Applicants have heretofore been granted rate relief in 1947. As will appear from a perusal of our Decision No. 40786 in Application No. 28174 issued at that time, service deficiencies were then also admitted and Mr. Downey planned "improvements including the replacement of the small mains with larger pipe lines in order to provide satisfactory service." Further, Mr. Downey stated "that the neglected condition of the springs probably caused the muddy water condition and that pump break-downs caused interruptions in service. He contended that his proposed improvement program will correct all of the complaints of service and that a superintendent residing within the service area will be regularly employed" (emphasis added).

In said Decision No. 40786 we stated, "Applicant will be expected to immediately make such improvements to the system that will insure adequate service and the delivery of a good quality of water to all of the customers". In the instant proceeding applicants' superintendent, when testifying about improvements made to the system, indicated that two new wells, only one of which is operable, have been installed as have "a few pipes that don't amount to much".

The rate relief granted applicants in 1947 was predicated, in part, upon the faithful performance of applicants' then promised system improvements. We now find that such improvements have not materialized. Indeed, the evidence is that the system is in some respects today in even poorer condition.

From the testimony of Mrs. Downey, given on the first day of hearing in this proceeding, it is clear that there is no question that applicants have sufficient financial resources to improve the system to the extent of installing adequate pumps, chlorinators, storage tanks and mains.<sup>2/</sup> On the second day of hearing Mr. Downey testified that applicants are negotiating a bank loan in the approximate amount of \$7,000 to cover new plant additions.

#### Conclusions

In view of the evidence we find that the gross revenues obtainable from existing water rates are insufficient to meet the reasonable costs of operating and maintaining the existing water system. Applicants must be accorded rate relief. We further find that, in the public interest, certain specific plant additions and operating improvements are required and that it is reasonable to require that applicants make the additions and improvements as hereinafter ordered. The Commission finds the fact to be that

---

<sup>2/</sup> Cross-examination of witness Ethel Bryant Downey, TR 76,77.



the facilities and services of applicant are unreasonable, inadequate and insufficient and that public convenience and necessity require the improvement of service and facilities as directed in the order following.

In our opinion a fair and reasonable rate of return on a depreciated rate base for this utility is 6.5 per cent. Rates for water service must be made prospectively. Accordingly, for this utility, a prospective rate base which will result from the plant additions to be made in the immediate future will be used as the basis for an authorization of increased water rates. Such procedure will be fair to utility and customer alike. It will place applicants in a financial situation sufficiently improved to assure that their capital needs may be met and that reasonably adequate facilities will be in place for rendering service. It will provide water users with an improved service and one which will meet their reasonable demands.

The depreciated rate base hereby found to be fair and reasonable for this utility for the year 1956 is \$26,959, developed from the detailed exhibits of record in this proceeding as follows:

Plant in Service, December 31, 1954	\$32,354
Net Plant Additions, 1955	1,370
Plant in Service, December 31, 1955	33,724
Net Plant Additions, 1956	8,725
Weighted Plant in Service, 1956	42,449
Average Materials and Supplies, 1956	700
Working Cash Allowance	1,300
	Subtotal
	<u>44,449</u>
Customers' Advances, 1956	(790)
Average Depreciation Reserve, 1956	(16,700)
	Subtotal
	<u>(17,490)</u>
Weighted Average Depreciated Rate Base, 1956	26,959

(Subtractive Item)

A rate of return of 6.5 per cent on such rate base would develop a net revenue of \$1,752. After due allowance for all reasonable operating expenses totaling \$10,600 (such total including an amount necessary for the additional full-time labor required to

implement the operation and maintenance of the improved system, an amount for taxes and for depreciation) a gross revenue requirement of \$12,352 is indicated. The rates which applicants have requested will produce such gross revenues.

The requested rates will be authorized. Applicants are placed upon notice, however, that such authorization is predicated upon correction of existing system deficiencies as well as upon their financial requirements and that anything less than satisfactory performance may bring about a reopening of this proceeding with a view toward rescinding a part or all of the increases granted.

Some of applicants' present customers feel that they are now paying excessive bills for the short periods in which they occupy 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 year-round maintenance and repairs be foregone if the system is to continue to serve its customers. The costs of operation provided for in the above-adopted expenses are in no instance more than reasonable. Applicants will be required to render satisfactory service and are entitled to have their present losses halted and to be assured of an improved financial position.

Apparently many of the summer people bring bottled water from other areas for their occasional usage over week-end and holiday trips to their summer homes. Such a situation may aggravate the condition 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.

Regular flushing of mains by the applicants and regular flushing of house lines by customers should lessen the present disagreeable turbidity problem.

Although partial metering of a system is an objectionable situation to a few of the customers whose water usage is metered, if fairly and impartially administered such partial metering will meet or balance the economics of a metering program by permitting lower costs of capital, operation and maintenance and thus insure somewhat lower rates for all consumers. It is to the best interests of customers and applicants that neither condone wastage of water. We find no element of discrimination in the present metering practices of applicants.

It is found as a fact that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those herein authorized, are for the future unjust and unreasonable.

O R D E R

James J. and Ethel Bryant Downey (Russian River Terrace Water Company) having applied to this Commission for an order authorizing increases in rates and charges for water service rendered by them in Forest Hills, Hollydale Park, Hollydale Beach and Russian River Terrace, Sonoma County, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. Applicants are authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on

not less than five days' notice to the public and to this Commission, to make said rates effective for all service rendered on and after February 1, 1956.

2. Within sixty days after the effective date of this order applicants shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules and regulations revised to reflect present-day practices and relations with their customers, together with four copies of a tariff service area map acceptable to this Commission.

3. Within 180 days after the effective date of this order applicants shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of approximately 100 feet to the inch, clearly indicating thereon by appropriate markings the various tracts of land and territory served, the production, storage and distribution facilities and the various properties of applicants as they pertain to this water system.

4. Beginning with the year 1956, applicants shall determine depreciation expense by multiplying the dollar amount of depreciable fixed capital by a rate of 3.3 per cent, using such rate thereafter until review indicates that it should be revised. Further, applicants shall review such rate, using the straight-line remaining life method of depreciation accounting, whenever major changes in plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. Applicants shall have installed and in proper operation by not later than April 15, 1956, the chlorinators and pumping plants set forth respectively as items 1 and 3 on Exhibit No. 5 in this proceeding.

6. Applicants shall have installed and in proper operation by not later than May 1, 1956, the new water main set forth as item 6 on Exhibit No. 5 and as said item is shown on Exhibit No. 6 in this proceeding.

7. Applicants shall have installed and in proper operation by not later than June 15, 1956, the new water mains set forth respectively as items 5 and 7 on Exhibit No. 5 and as said items are shown on Exhibit No. 6 in this proceeding.

8. Applicants shall have installed and in proper operation by not later than July 15, 1956, the two sections of new water mains designated as "Main 2" as shown on Exhibit No. 8 in this proceeding.

9. Applicants shall inform this Commission in writing of the completion and proper operation of the facilities ordered in the above paragraphs, 5 to 8 inclusive, not more than five days after each such completion.

10. By not later than March 31, 1956 applicants shall subscribe, under the name of Russian River Terrace Water Company, to a grade of telephone service for which Interexchange Receiving Service is available, at a location in the Petaluma exchange where a responsible employee of the water company can be reached. Applicants shall also subscribe, in the name under which they operate, to Interexchange Receiving Service in the Forestville exchange, in order that their customers in the Forestville exchange may contact the water company on business matters without payment of a toll charge. These requirements for telephone service are continuing requirements until such time as applicants may have an office or a regular employee resident within the service area, at which time local exchange telephone service shall be established in the name of Russian River Terrace Water Company.

11. Applicants shall inform this Commission in writing of the establishment of the telephone services, ordered in paragraph 10 above, within fifteen days thereafter.

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

Dated at San Francisco, California, this 4<sup>th</sup> day of January, 1956.

(John E. Mitchell)  
President  
Justin S. Caswell  
Paulo Lintermeier  
Walter J. Jones  
B. H. Hardy  
Commissioners

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered service furnished on an annual basis.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 400 cu.ft. or less .....	\$2.75
Next 600 cu.ft., per 100 cu.ft.....	.35
Next 1,000 cu.ft., per 100 cu.ft.....	.25
Over 2,000 cu.ft., per 100 cu.ft.....	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.75
For 3/4-inch meter .....	3.25
For 1-inch meter .....	4.00
For 1-1/2-inch meter .....	7.00
For 2-inch meter .....	10.00

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

SPECIAL CONDITION

Service under this schedule will be furnished only on a continuous basis throughout the year.

APPENDIX A

Schedule No. 1-S

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

		<u>Per Meter per Month</u>
Monthly Quantity Rates:		
First	400 cu.ft. or less included in Seasonal Minimum Charge	
Next	600 cu.ft., per 100 cu.ft.....	\$0.35
Next	1,000 cu.ft., per 100 cu.ft.....	.25
Over	2,000 cu.ft., per 100 cu.ft.....	.20

		<u>Per Meter per Season</u>	<u>Quantity Allowed per Month For Minimum Charge</u>
Seasonal Minimum Charge:			
For the six-month period, May to October, inclusive			
For	5/8 x 3/4-inch meter .....	\$23.00	400 cu.ft.
For	3/4-inch meter .....	27.00	600 cu.ft.
For	1-inch meter .....	35.00	1,000 cu.ft.
For	1-1/2-inch meter .....	60.00	2,800 cu.ft.
For	2-inch meter .....	85.00	4,800 cu.ft.

SPECIAL CONDITIONS

1. The seasonal minimum charge is due in advance and will entitle the customer to the quantity of water in each of the months, May through October, that corresponds to the seasonal minimum charge as shown above.
2. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly or bimonthly at the option of the utility on a noncumulative, monthly consumption basis.



Schedule No. 1-S—Contd.

SEASONAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

3. Customers who have paid the seasonal minimum charge may obtain service during any of the remaining months of the same calendar year under Schedule No. 1, General Metered Service, upon written notice to the utility stating the months in which such service is desired.

Schedule No. 2-R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to residential customers on an annual basis.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

	<u>Per Service Connection per Month</u>
For a single family residence including premises .....	\$3.00

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only on a continuous basis throughout the year.
2. All annual service not covered by the above classification will be furnished on a metered basis.
3. A meter may be installed only at option of utility. In the event a meter is installed, service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.

Schedule No. 2-SR

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to residential customers on a seasonal basis.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

Seasonal Charge:

For the six-month period, May to October, inclusive

For a single family residence including premises ... \$26.00

Per Service  
Connection  
per Season

SPECIAL CONDITIONS

1. The seasonal charge is payable in advance.
2. Customers who have paid the seasonal charge may obtain service during any of the remaining months of the same calendar year under Schedule No. 2-R, Residential Flat Rate Service, upon written notice to the utility stating the months in which service is desired.
3. All seasonal service not covered by the above classification will be furnished only on a metered basis.
4. A meter may be installed only at option of utility. In the event a meter is installed, service thereafter will be furnished on the basis of Schedule No. 1-S, Seasonal Metered Service.