

ORIGINALDecision No. 54559

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MRS. MERTIE NISSEN, Owner,)	
to sell property comprising the Chualar)	
Water Works, Monterey County, and Appli-)	Application No. 38534
cation of CLAYTON B. NEILL to purchase)	As Amended
said water works and to increase rates.)	

Raymond W. Shellooe for applicants
Clyde F. Norris for the Commission staff.

O P I N I O NNature of Proceeding

By the above-entitled application, filed November 10, 1956, and as amended January 10, 1957, Mrs. Mertie Nissen (Chualar Water Works) seeks authority to transfer her public utility water system serving the community of Chualar, Monterey County, to Clayton B. Neill, Clayton B. Neill, Jr. and Gilbert M. Neill, a partnership, and the partnership seeks authority to increase water rates.

Public Hearing

After due notice to the public and to each customer of the water system, public hearing in the matter was held before Examiner F. Everett Emerson on January 10, 1957, at Salinas. Two amendments to the application were filed at the time of hearing; the first substituted the partnership for original applicant Clayton B. Neill and the second substituted a revised schedule of proposed water rates. A number of customers attended the hearing. None expressed opposition to the proposals of applicants.

Nature of Evidence

The present owner of the system is unable to provide the necessary operating attention to render a satisfactory water service and provide a safe and potable water to her customers. The existing

water supply has become contaminated and is being chlorinated on an emergency basis by the county health department. The system is generally deteriorated and water pressures are only of the order of 8 to 11 pounds per square inch. The present operator is financially unable to make necessary improvements. Revenues from water service have been insufficient to fully meet the costs of operation and at the same time provide any funds for capital expenditures or for the attraction of capital to the system.

The partnership which proposes to purchase the system is experienced in water system operations and has funds adequate to permit of capital expenditures for system improvements. The new operators propose to install a new well and pump, to install a pressure tank which will provide the system with pressures ranging between 30 and 60 pounds per square inch and to make other improvements such as repairs to and replacement of mains and valves and the installation of meters on those services not now metered. Within the first six months it is expected that expenditures for improvements will total about \$7,150 and that within an additional 12 months the total expenditure will be approximately \$9,700.

The evidence indicates that the water system operated at a loss of about \$800 in 1956. If present water rates were to be continued the system would suffer a loss of about \$1,050 during 1957. Under the revised rates proposed by the partnership losses would be halted and a minor amount of net revenue would be realized. The evidence indicates that on a probable future depreciated rate base of approximately \$14,000 the rate of return to be produced by the proposed increased water rates will be less than one per cent.

The rates presently in effect have remained unchanged since operations were first commenced in 1932 and comprise a basic monthly charge of \$2.00 for 1000 cubic feet of water with additional usage in two blocks at rates of 15 cents and 10 cents respectively.

The proposed rate consists of a basic monthly charge of \$3.20 for 400 cubic feet of water with additional usage at block rates of 40 cents and 30 cents. No person raised objection to the proposal for increased rates or to the magnitude of the increase proposed.

Conclusions

In view of the evidence we find that the proposed transfer of the utility properties will not be adverse to the public interest and should be authorized.

We find that the rates proposed are reasonable rates for the improved service to be rendered and that the increases in rates and charges authorized herein are justified. Further, existing rates, in so far as they differ from those authorized herein, will for the future be unjust and unreasonable.

The new owners of the system will be expected to proceed with the execution of their plans for system improvement and are placed on notice that the rate increases granted herein are predicated upon the rendering of a substantially improved and adequate water service as well as upon the financial needs of system operations and that failure to make the proposed improvements will be cause for reopening this proceeding, in so far as the establishment of rates is concerned, with a view to rescinding in whole or in part the increases authorized.

Parties to the proceeding, including a representative of the county health department, urge expeditious handling of this matter so as to permit an improvement of existing health hazards as soon as is possible. In view of such situation the order, herein will be made effective on the date of issuance.

O R D E R

Public hearing having been held, the matter having been submitted and now being ready for decision, and based upon the evidence and the foregoing opinion thereon,

IT IS HEREBY ORDERED as follows:

1. After the effective date of this order and on or before June 30, 1957, Mrs. Mertie Nissen (Chualar Water Works) may sell and transfer her public utility water system and facilities to Clayton B. Neill, Clayton B. Neill, Jr. and Gilbert M. Neill who shall thereupon, as equal partners, be the owners and operators of said public utility water system.

2. On or before the date of actual transfer, Mrs. Mertie Nissen shall refund all deposits and advances for construction which are subject to refund; any unrefunded deposits and advances for construction shall be transferred to and become the obligation for refund of Clayton B. Neill, et al.

3. Within thirty days after the date of the sale authorized herein, Clayton B. Neill, et al, shall file with this Commission a certified copy of the bill of sale and deed by which the property is transferred, and also a written statement indicating the date on which control and possession of the system was assumed.

4. Clayton B. Neill, et al, if they exercise the authority herein granted, shall install and place in operation the new well and pressure tank proposed by them in this proceeding, and within five days thereafter shall notify this Commission in writing that such facilities have been placed in proper operation.

5. On or after the date notice has been given to the Commission that the new well and pressure tank have been placed in proper operation as above provided, Clayton B. Neill, et al, partners, are authorized to file in quadruplicate with this Commission, in

conformity with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A. Such schedules of rates, together with rules and tariff service area map acceptable to the Commission, shall become effective, upon not less than five days' notice to the public and to this Commission. In the interim period, between the date of property transfer and the date on which the new rates become effective as hereinabove provided, the presently filed rates and rules of Mrs. Mertie Nissen applicable to this system shall be continued in effect as the rates and rules of the partnership.

6. Within forty days after the date of the sale authorized herein, Clayton B. Neill, et al, 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; the principal water production, storage and distribution facilities; and the location of the various properties of the Chualar Water System.

7. On or before the date of actual transfer, Mrs. Mertie Nissen shall transfer and deliver to Clayton B. Neill, et al, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the properties hereinabove authorized to be transferred.

8. Upon due compliance with the requirements of paragraphs numbered 1, 2 and 7 of this order, Mrs. Mertie Nissen shall stand relieved of all further public utility obligations and liabilities

in connection with the operation of the public utility water system hereinabove authorized to be transferred.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 19th day of FEBRUARY, 1957.

John E. Mitchell
 President

Paul L. Intereven

William J. ...

E. L. Fox

Commissioners

Commissioner Rex Hardy being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Chualar and vicinity, Monterey County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 400 cu.ft. or less	\$ 3.20
Next 1,600 cu.ft., per 100 cu.ft.40
Over 2,000 cu.ft., per 100 cu.ft.30
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.20
For 3/4-inch meter	5.60
For 1-inch meter	7.60
For 1-1/2-inch meter	9.60
For 2-inch meter	15.60

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Chualar and vicinity, Monterey County.

RATES

	<u>Per Month</u>
For each 2-inch hydrant	\$ 4.00
For each 4-inch hydrant	8.00
For each 6-inch hydrant	12.00