

ORIGINALDecision No. 5036

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
V. L. BRESSIE and ELIZABETH C. BRESSIE,)	
V. L. BRESSIE WATER SYSTEM, for an)	Application No. 39447
increase in rates under Section 454 of)	Amended
the Public Utilities Code, for water)	
service in Salmon Creek, Sonoma County.)	

Dilley & Eymann, by George E. Dilley, for
 applicants.
Earl Allen, for Sonoma County Health
 Department, interested party.
C. F. Clark and H. H. Webster, for the
 Commission staff.

O P I N I O N

V. L. Bressie and Elizabeth C. Bressie, husband and wife, doing business as the V. L. Bressie Water System, filed the above-entitled application on October 3, 1957, requesting authority to increase rates for water service rendered in the village of Salmon Creek, a small community located about two miles north of the town of Bodega Bay in Sonoma County. On March 21, 1958, applicants filed an amendment to the application, which, in effect, also specifically requested the Commission to remedy the situation wherein applicants have been operating the water system for many years without a certificate of public convenience and necessity.

Public Hearing

After due notice a public hearing was held before Examiner E. Ronald Foster on March 26, 1958, at Salmon Creek. About 30 people were in attendance and three of applicants' customers testified concerning the character of service rendered in relation to the proposed increases in charges for water service.

History of the Utility

The water system was installed by George McChristian sometime prior to 1934 for the purpose of supplying the residents of the McChristian Subdivision and Ocean View Tract. A certificate of public convenience and necessity to operate such water system was granted George McChristian by Decision No. 27609, dated December 22, 1934, in Application No. 19639.

By Decision No. 32402, dated October 3, 1939, in Application No. 22704, the Commission authorized increased rates for both metered and flat rate service rendered by said George McChristian subsequent to December 31, 1939, which are the basic rates presently in effect.

Change in Ownership of the System

The water system was operated by George McChristian until November 20, 1945, on which date George McChristian and Mary Ann McChristian, his wife, conveyed to V. L. Bressie and Elizabeth C. Bressie, his wife, as joint tenants, certain real property in Sonoma County. A certified photostatic copy of the grant deed, dated November 20, 1945, conveying the said property, as recorded in Volume 666 of Official Records, page 267, Sonoma County Records, was filed as Exhibit No. 1 in this proceeding and it contains the following language: "Together with what is known as 'The McChristian Water System', including all pipe lines and equipment of every kind and nature."

Exhibit No. 2 is an affidavit dated at Salmon Creek on January 23, 1958, signed by Mary Ann McChristian, who is in rather infirm health and advanced in years, which states that she is the widow of George McChristian who died in the month of March, 1946; that she was her husband's sole heir and there was no estate to probate; and that she is familiar with the circumstances surrounding the

sale of the "property, pipes and equipment of the McChristian Water Company to Mr. and Mrs. V. L. Bressie" and that she knows that her husband and she "agreed to and intended to convey all of our right, title and interest including the right to have the registration in the State of California office at the time of the sale to Mr, and Mrs. Bressie."

Apparently through inadvertence, no application to this Commission was ever made for authority to transfer the said public utility water system, including the certificate of public convenience and necessity originally granted to George McChristian, now deceased, to the applicants herein. It appears that to do so now would be costly and difficult to accomplish.

On behalf of applicants, V. L. Bressie testified that \$12,000 in cash was paid as the consideration for the properties named in the deed, Exhibit 1, including the system then known as the McChristian Water System; that the act was performed in good faith; that he understood that he was acquiring the duties and responsibilities of carrying on the operation of the system, as well as any rights and privileges in connection therewith; that he was unaware that such change in ownership and responsibility should have been authorized through proper request to this Commission; that since November 20, 1945, he and his wife have conducted the business as copartners; and that it is their desire and intent to continue to operate the water system as a public utility.

The record shows that for many years, since about 1945, annual reports have been filed with the Commission under the name of V. L. Bressie Water System. Likewise, tariff schedules have been filed under that name and are now considered to be in effect for this utility.

Based upon the evidence introduced in this proceeding, applicants request that the Commission authorize them, as copartners, to operate under the name of V. L. Bressie Water System, the public utility water system formerly known as the McChristian Water System, rendering service in the unincorporated community of Salmon Creek, Sonoma County.

Description of the System

The source of water supply is a well or collecting box approximately 25 feet deep and about 4 feet in diameter, into which flows a spring. Another such well and spring have been partially developed to insure sufficient water in case of demand and, when equipped, will provide a standby supply.

There are two pressure zones in the water system. The higher pressure zone is supplied by means of two small electric motor-driven pumps delivering water into a 500-gallon hydropneumatic tank at pressures between 40 and 65 pounds per square inch. The lower pressure zone is supplied from a 5,000-gallon redwood tank located on a hill, into which water is delivered by a pump driven by a 1½-hp electric motor which is automatically controlled by a mercury switch. A manually operated 3-hp electric motor-driven pump may be used to elevate water to the storage tank in case of failure of the automatic unit.

About 7,100 feet of pipe ranging from 2 to 3/4-inch diameter comprise the transmission and distribution system. As of December 31, 1957, there were 62 customers, with meters on the services to 14 of them. All water service is rendered to residences except that being furnished to one public parking lot and to the adjacent Sonoma Coast State Park under a contract.

Present and Proposed Rates

The following tabulation presents a comparison of applicants' present rates, which have been in effect since January 1, 1940, with their proposed rates:

METERED SERVICE

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Rates:			
First	200 cu.ft. or less	\$ 1.25	\$ -
Next	200 cu.ft., per 100 cu.ft. ..	.25	-
First	400 cu.ft. or less	-	2.75 ^a
Next	600 cu.ft., per 100 cu.ft. ..	.25	.55 ^b
Next	2,000 cu.ft., per 100 cu.ft. ..	.20	.55 ^b
Next	12,000 cu.ft., per 100 cu.ft. ..	.20	.40
Over	15,000 cu.ft., per 100 cu.ft. ..	.20	.30

		<u>Per Meter Per Year</u>	
		<u>Present</u>	<u>Proposed</u>
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$15.00	\$ 33.00
For	3/4-inch meter	24.00	45.00
For	1-inch meter	36.00	60.00
For	1½-inch meter	54.00 ^c	100.00
For	2-inch meter	-	150.00
For	3-inch meter	-	225.00

- a. Computed on basis of utility's proposed annual minimum charge of \$33 for 5/8 x 3/4-inch meter.
- b. As amended at hearing.
- c. Filed with Advice Letter No. 2, dated November 24, 1956, for service not theretofore rendered, authorized by Commission's Resolution No. W.-520, effective December 27, 1956.

FLAT RATE SERVICE

Rates:	Per Service Connection Per Year	
	<u>Present Rates</u>	<u>Proposed Rates</u>
For each residence	\$15.00	\$ -
1. For each residence	-	33.00
2. Sprinkling, irrigation of lawns, shrubs, gardens, trees, etc.:		
First 2,000 sq.ft. or fraction thereof	-	5.00
Next 1,000 sq.ft. or fraction thereof	-	2.00
3. Small stores, businesses or public parking lots	-	45.00

The proposed meter rates would result in increased charges over those at present rates ranging from a little over 50 per cent to about 135 per cent, depending upon the monthly quantity used. The proposed residential flat rate would result in a corresponding increase of 120 per cent.

The new additive rate for irrigated areas was proposed in order to eliminate alleged discrimination between customers who practice irrigation and others who do not. Testimony at the hearing developed the difficulty that would result in applying such rates, particularly with the suggested units of area. It appears that it would apply to a very few premises.

At present the proposed \$45 rate for small stores, businesses and public parking lots would apply only to one public parking area, operated by the state park authority, where service is provided to two faucets. There are now no stores or businesses existing within the service area. The rate is ambiguous and would be difficult to apply equitably.

The evidence discloses that for some time applicants have been supplying water at the filed meter rates, through a pipeline and meter installed and owned by the customer, to the local headquarters of the Sonoma Coast State Park. There is no record of the contract

covering this service having been filed with the Commission and the order herein will require applicants to make the filing in accordance with the provisions of the Commission's General Order No. 96.

Although there are some 14 meters installed on other customers' services, the record shows that some are covered over, others are inoperative and applicants have billed only two or three customers on the basis of meter readings for quantities of water in excess of those allowed for the annual minimum charge.

Summary of Earnings

For evidence in this proceeding pertaining to the need for increased revenue, applicants relied primarily upon the information contained in the application, as amended, and the exhibits attached thereto.

Following is a recapitulation of applicants' operating income and expenses, based on recorded amounts at present rates for the year 1956, and as estimated at proposed rates for the year 1957 related to the depreciated plant as recorded in the utility's books, extracted from the application:

<u>Item</u>	<u>Applicants'</u>	
	<u>1956</u> <u>Present</u> <u>Rates</u>	<u>1957</u> <u>Proposed</u> <u>Rates</u>
Operating Revenues	\$ 952.96	\$ 2,205
Deductions		
Pumping Expenses	353.26	-
Distribution Expenses	181.30	-
Commercial Expenses	25.00	-
General Expenses	25.00	-
Depreciation	555.89	-
Taxes	85.00	-
Total Expenses	<u>1,225.45</u>	1,470
Allowance for Income Taxes	-	160
Total Deductions	<u>1,225.45</u>	<u>1,630</u>
Net Income	(272.49)	575
Plant Account, 12-31-56	-	14,343
Depreciation Reserve, 12-31-56	-	3,649
Depreciated Rate Base	-	<u>10,694</u>
Rate of Return	-	5½%

(Red Figure)

The recorded amounts for the year 1956 include no allowance for management, accounting or operating the system by the applicant owners. Even under cross-examination, the applicants' witness was somewhat vague as to the manner in which he had arrived at the total shown for estimated operating expenses for the year 1957 but in general it was based on recorded expenses for the first nine months of the year, plus an allowance to compensate the owners for their time spent in maintaining and operating the water system.

Experts of the Commission staff also testified and presented a report, Exhibit No. 4, showing the results of their independent investigation and study of applicants' operations for the year 1957 as recorded and adjusted, and as estimated for the year 1958, both at present rates and at the rates proposed by the applicants. The following tabulation summarizes the earnings information as developed by the staff in Exhibit No. 4:

Item	1957 Recorded	Commission Staff			
		1957 Adjusted		1958 Estimated	
		Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 969	\$1,000	\$2,300	\$1,050	\$2,410
Deductions					
Operating Expenses	630	1,830	1,830	1,870	1,870
Taxes Other Than Income	80	140	140	150	150
Depreciation Accrual	374	270	270	270	270
Taxes Based on Income			12		25
Total Deductions	<u>1,084</u>	<u>2,240</u>	<u>2,252</u>	<u>2,290</u>	<u>2,315</u>
Net Revenue	(115)	(1,240)	48	(1,240)	95
Average Deprec. Rate Base	-	8,530	8,530	8,310	8,310
Rate of Return	-	-	0.6%	-	1.1%

(Red Figure)

In the staff's presentation, all flat rate revenues were computed at the basic residential rates with no additional revenue from the proposed flat rate for irrigated areas, since no survey of such areas had been made available; the engineering witness testified

that any revenue from such irrigation would be comparatively small, based on his observations. For 1957 the average number of customers was estimated at 61, compared with 63 for 1958, or an average gain of 2 customers. Expenses for both years have been normalized to reflect salary allowances considered reasonable for a water utility of this type and size and to include certain items of expense actually incurred but not heretofore recorded on applicants' books, such as transportation and certain office expenses. An amount has been included to cover the estimated cost of the instant rate proceeding, amortized over a 5-year period. A review of all of the evidence indicates that the staff's treatment of applicants' revenues and expenses, including taxes and depreciation, is realistic and reasonable.

Utility Plant and Rate Base

The staff's examination of applicants' books revealed that the original records had been destroyed by fire in 1946 and that the amounts recorded in applicants' present books were based upon a reproduction cost new appraisal of the water system made by the owners as of January 1, 1950, amounting to \$12,000. The recorded investment in plant as of December 31, 1957 amounted to \$15,101.09.

Since the original cost of the plant could not be determined from the utility's books and records, the staff engineer prepared a detailed inventory and historical cost appraisal of the properties and the corresponding depreciation reserve requirement as

of January 1, 1958, of which the following is a summary as shown in Table 6-A of Exhibit No. 4:

<u>Acct. No.</u>	<u>Description</u>	<u>Utility Plant</u>	<u>Depreciation Reserve Requirement</u>
301	Organization	\$ 150	\$ -
305	Land	2,000	-
311	Structures	254	101
312	Source of Supply	468	106
324	Pumping Equipment	682	157
342	Reservoirs and Tanks	936	380
343	Trans. and Distr. Mains	3,669	813
345	Services	285	83
346	Meters	446	150
372	Office Equipment	165	94
374	General Equipment	275	101
	Total	<u>9,330</u>	<u>1,985</u>

The staff recommended that adjustments be made in the applicants' books to reflect properly the investment in the various components of utility plant and also the depreciation reserve related thereto. The net effect of these recommended adjustments, as shown in Table 2-A of Exhibit No. 4, would be to decrease the total utility plant on December 31, 1957 from \$15,101.09 to \$9,330 and to decrease the depreciation reserve from \$4,023.42 to \$1,985 on the same date. These adjustments, together with that in the account for materials and supplies would involve an appropriate adjustment in the balance sheet account for proprietary capital.

At the hearing, after initially attempting to establish and defend a greater amount for land at present market value, applicants testified to their willingness to accept the restatement of the plant accounts, including land, and other balance sheet accounts as recommended by the staff.

In the development of the rate bases for the years 1957 and 1958, the adjusted balances as of December 31, 1957, representing utility plant and depreciation reserve have been carried forward by the staff in arriving at the weighted average utility plant and the average depreciation reserve components thereof.

The staff included in the rate bases for both years an amount of \$300 for materials and supplies considered necessary for efficient operation of the water system. An amount of \$150 was included for each year as a working cash allowance.

In consideration of all the evidence presented, the average depreciated rate bases of \$8,530 and \$8,310 for the years 1957 and 1958, respectively, as developed by the staff, are hereby adopted as reasonable for the purposes of this proceeding as representing the rate bases upon which the reasonableness of applicants' rate proposals may be tested.

Customer Participation

One customer testified that there had been vibration from the pumps which could be felt at her premises, but this trouble has now been corrected. She also complained of low water pressure at times. Another customer complained of low pressure at his house which is served from the same 3/4-inch connection supplying the house next door; it appears that this complaint could be remedied by the installation of a second service connection to the main. The existing service should also be examined to see if it has become clogged. A third customer testified that her former 1/2-inch service line had been found severely clogged and that since a new 3/4-inch service was installed she has been receiving ample water at satisfactory pressures.

In reference to the complaints about low pressure in the water mains, applicants' witness expressed his opinion that such conditions would be greatly relieved by the proposed water main installations planned to eliminate deadends, thus improving the circulation of water.

Miscellaneous

From testimony given at the hearing, it appears that a number of meters installed on customers' service have long been

neglected and it is evident that applicants have not been reading some of them with any regularity. Such practice may have resulted in loss of revenue during months when the usage has exceeded that included as an allowance for the annual minimum charge. It is suggested that applicants uncover and inspect all meters in the system, have them tested for accuracy in recording and make such repairs as may be warranted. Such rehabilitated meters, or new ones, may then be used for installation on customers' services where there is reason to believe that usage during certain months is in excess of the allowance included for the annual minimum charge. Meters also serve to discourage waste and careless use of water.

Recommendations

The staff recommended that certain improvements, estimated to cost a total of \$600, be made during 1958. These improvements consist of the elimination of deadends in the distribution mains, the rehabilitation of the redwood storage tank, and the further development of the new well and equipping it with a pumping unit suitable for delivering water from the well to the storage tank, to be maintained and used for standby or auxiliary supply purposes.

The staff made other recommendations pertaining to depreciation accounting practices and the filing of maps and sample forms normally used in connection with customer service. It also recommended that a simplified flat rate schedule be authorized.

Findings and Conclusions

A review of the record in this matter leads us to the conclusion and we hereby find that applicants V. L. Bressie and Elizabeth C. Bressie, his wife, in good faith paid a valuable consideration for the physical properties comprising the water system rendering service in the unincorporated community of Salmon Creek in Sonoma County and that they have held and are holding themselves out to serve water as a public utility in said area.

The Commission finds and concludes that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as submitted by the staff for the years 1957 and 1958 reasonably represent the results of applicants' operations and they will be and hereby are adopted for the purposes of this proceeding.

It is evident from the record that applicants have been operating at a loss and are in need of financial relief. The Commission finds and concludes that rates substantially as proposed in the application will not be excessive or unreasonable and will, in fact, produce only a nominal return after providing for all expenses of operation. Specifically we find that the flat rate for each residence should be increased to \$33 per year, with no additional rate based upon an irrigated area. From the record herein, it appears that this locality is not one which is conducive to much gardening and we are of the opinion that a rate based upon the number of square feet irrigated would be difficult to administer. To eliminate any probable discrimination in charges at flat rate which might result from such irrigation practices, the utility has the option of installing meters and charging for all water used on a measured basis. In order to establish a differential between the flat rate, involving an unlimited use feature, and the corresponding smallest minimum charge for metered service, the minimum charge for a 5/8 by 3/4-inch meter will be increased to \$30 per year, instead of \$33 as proposed; for consistency, the corresponding charge for a 3/4-inch meter will be made \$42. It is concluded that the resulting slightly lower revenue from these minimum charges will be more than offset by charges at the quantity rates for usage over the minimum allowance, when the meters are read regularly each month and billings at the meter rate are diligently made. As to the

applicants' request to assess a penalty of 10 per cent on bills delinquent more than 60 days and 1 per cent per month thereafter, we are of the opinion and find that such practice is not justified and upon this record it is denied; applicants have other authorized means of enforcing the prompt payment of bills for water service, with particular reference to Rule No. 11 of its tariff schedules.

To the extent that the estimated cost of certain improvements and additions to plant have been included in the rate bases hereinabove adopted, the order herein will require applicants to make such installations within a reasonable time.

The Commission further finds and concludes that:

1. V. L. Bressie and Elizabeth C. Bressie, his wife, copartners doing business as the V. L. Bressie Water System, by reason of their owning, controlling, operating and managing the water system heretofore described in the opinion herein in the unincorporated community of Salmon Creek, Sonoma County, 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 V. L. Bressie and Elizabeth C. Bressie, his wife;

3. The improvements in the system herein required are necessary in the public interest; and

4. The increases in rates and charges authorized herein are justified and the present rates, in so far as they differ from those herein prescribed, are for the future unjust and unreasonable.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. V. L. Bressie and Elizabeth C. Bressie, his wife, are hereby authorized and directed to continue to manage and operate the public utility water system heretofore described in the opinion and findings herein.

2. Applicants V. L. Bressie and Elizabeth C. Bressie, his wife, doing business as V. L. Bressie Water System, are 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 attached to this order as Appendix A and, upon not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after July 1, 1958.

3. Within thirty days after the effective date of this order, applicants shall file with this Commission, in conformity with Section X of the Commission's General Order No. 96, three copies of the existing contract between the utility and the State of California covering the water service being rendered by applicants to the Sonoma Coast State Park.

4. Within forty-five 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, a tariff service area map acceptable to this Commission and sample copies of printed forms that are normally used in conjunction with customer service. Such tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

5. Within sixty 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 not smaller than 300 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 water utility properties of applicants.

6. Within three months after the effective date of this order, applicants shall make the following improvements to the water system described herein, and within fifteen days after the installation and placing in operation of each category of said improvements, applicants shall notify the Commission in writing of the completion thereof:

- a. Eliminate all deadends in the distribution system by the installation of the necessary interconnecting piping to provide for proper circulation.
- b. Rehabilitate and repair the redwood storage tank, including the installation of at least three more hoops, stopping all leaks, and giving the tank two coats of paint inside and out.
- c. Complete the development of the second well, construct a collecting box similar to the structure on the well now in use so as to prevent entrance of surface water, runoffs and objectionable materials, and provide a suitable cover, with lock, to prevent access of animals or unauthorized persons.
- d. Install in the second well, when completed, the Myers jet pumping unit now on hand, or an equivalent pump and electric motor, with necessary accessories to enable the pump to deliver water to the wooden storage tank for standby or auxiliary service.

7. Beginning with the year 1958, applicants shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.6 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the

depreciation rate using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 4th day of JUNE, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Theodore Jenner
Commissioners

APPENDIX A
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Schedule No. 1

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Salmon Creek and vicinity, located approximately 2 miles north of the town of Bodega Bay, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 400 cu.ft. or less	\$ 2.50
Next 2,600 cu.ft., per 100 cu.ft.55
Next 12,000 cu.ft., per 100 cu.ft.40
Over 15,000 cu.ft., per 100 cu.ft.30
Annual Minimum Charge:	
	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter	\$ 30.00
For 3/4-inch meter	42.00
For 1-inch meter	60.00
For 1 1/2-inch meter	100.00
For 2-inch meter	150.00
For 3-inch meter	225.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1, and is due in advance.
2. Charges for water used in excess of the quantity which one twelfth of the annual minimum charge will purchase at the monthly quantity rates may be billed monthly, bimonthly, quarterly or annually at the option of the utility on a noncumulative monthly consumption basis.

APPENDIX A
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Schedule No. 2R

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Salmon Creek and vicinity, located approximately 2 miles north of the town of Eodega Bay, Sonoma County.

RATE

Per Year

For each service connection \$33.00

SPECIAL CONDITIONS

1. The above residential flat rate applies to service connections not larger than 3/4-inch in diameter.
2. The above rate applies to service during the 12-month period commencing January 1, and is due in advance.
3. All service not covered by the above classification will be furnished only on a metered basis.
4. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rates.