

**ORIGINAL**Decision No. 58250

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of HARRY C. WILSON and  
 MARTHA A. WILSON, copartners doing  
 business as SUMMER HOME PARK WATER  
 CO., a public utility, for authori-  
 zation to raise water rates.

Application No. 40517

O P I N I O N

In this application, filed on October 20, 1958,  
 Harry C. Wilson and Martha A. Wilson, copartners doing business as  
 Summer Home Park Water Co., request authority to increase rates for  
 water service at Summer Home Park and at Highcroft, subdivisions  
 located on the Russian River, near Hilton, in Sonoma County. The  
 rates requested are estimated to increase revenues by about 24 per-  
 cent.

The instant application indicates that a substantial  
 increase in rates is necessary to produce sufficient revenue to  
 meet operating expenses, permit repairs and improvements to, and  
 expansion of, the existing system, allow for depreciation, finance  
 replacements and provide a reasonable return on invested capital.

History of System

A portion of the present system was installed prior to  
 1917 for the Summer Home Park Realty Company by James M. Eva and  
 Florence V. Eva. The ownership of the utility changed hands many  
 times until Harry C. Wilson and Martha A. Wilson became the sole  
 owners, as authorized by Decision No. 48667, dated June 1, 1953,  
 in Application No. 34304.

In 1922, C. J. Horgan was granted a certificate of public convenience and necessity to operate a water utility in Highcroft Tract, which is contiguous to Summer Home Park. Harry C. Wilson and Martha A. Wilson were authorized to purchase the C. J. Horgan Water System and to combine this utility with the Summer Home Park Water Company by Decision No. 51860, dated August 23, 1955, in Application No. 36934.

The utility has at present one hundred fifty five active service connections of which thirty five are charged the meter rate. The service area is primarily a summer resort community with the occupancy being mostly seasonal.

#### Description of System

The main source of water supply for the Summer Home Park Tract at the present time is the Russian River. Water from the river is pumped through a filtration and chlorination unit to a 12,500-gallon concrete reservoir, a 25,000-gallon redwood tank and two 500-gallon redwood tanks, all of which are interconnected. The water flows by gravity from these tanks into the distribution system. In winter, when the demand is low, the concrete reservoir is kept filled by two springs. These springs usually have very low flows, or none, in summer.

In the Highcroft Subdivision, a well is used as the main source of supply. Water is pumped from the well to a 10,000-gallon tank located at an elevation sufficient to supply 15 customers by gravity. The Highcroft and Summer Home Park systems are interconnected by a 2-inch main.

#### Rates, Present and Proposed

The following tabulation is a comparative summary of the utility's present rates, which were established by the Commission

in Decision No. 54341, dated December 28, 1956, in Application No. 37913, and the rates proposed by applicants.

METER RATES

	<u>Present Rates</u>	<u>Per Meter Per Year</u> <u>Proposed Rates</u>
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$24.00	\$30.00

		<u>Per Meter Per Month</u>
Monthly Quantity Rates:		
First 400 cu.ft. or less, included in Annual Minimum Charge .....	--	--
Next 1,000 cu.ft., per 100 cu.ft. ...	.35	.35
Over 1,400 cu.ft., per 100 cu.ft. ...	.25	.25

FLAT RATE

	<u>Present Rate</u>	<u>Per Service Connection Per Year</u> <u>Proposed Rate</u>
For a 3/4-inch service connection ....	\$24.00	\$30.00

Customer Response

Following a field examination of the utility's properties, operations and records, a letter was sent to all customers of Summer Home Park Water Co. by the Commission's staff on January 14, 1959. This letter provided the customers with information concerning the requested rates, the staff's preliminary estimate of the net revenues, rate base and rate of return for 1959 if these rates were authorized, and asked for any comments the customers might wish to make.

Fifteen replies were received, twelve of which objected to increased rates and three of which indicated that the utility's proposal was reasonable. Three of these customers complained of service deficiencies and two complained of excessive bills. The service deficiencies involved principally inadequate pressure, though one of the same customers also complained of cloudy water. One of the customers who complained of low pressure stated that he would not oppose the rate increase if his service were improved.

In addition to the fifteen written replies, one customer telephoned and another visited the Commission offices, primarily to inquire as to what effect a sale of the utility would have on any service improvements which might be ordered by the Commission. Neither of these customers indicated opposition to the rate increase if improvements were to be made to the system.

In order to evaluate the foregoing replies, members of the Commission's engineering staff made further field investigations of the utility's operations. As a result of these investigations, the staff recommends certain improvements to be made during 1959 and has revised its earlier estimate of net revenues, rate base and rate of return for 1959 at the utility's proposed rates, as hereinafter set forth.

#### Service Improvements

During the course of its investigations, the staff discussed the matter of service improvements with the utility's co-owner, Harry C. Wilson. This owner advised that he has been considering a number of improvements in his long range program, but that financial limitations would make it necessary to spread these out over a period of time. He stated that he intends to start some of this work during 1959.

The improvements planned by the utility for 1959 are principally in connection with a betterment of the source of water supply. It is intended to make the well in the Highcroft Subdivision the main source of supply for the entire system. At the present time this well supplies approximately 15 consumers in the Highcroft area and supplements the supply in the Summer Home Park area. The latter area obtains its principal supply from two springs during the winter, when demands are low, as previously mentioned, but during the summer season, when demands are high, most of the water is obtained from the Russian River. Water from the river must be chlorinated and filtered, and apparently is less palatable to the consumers than the spring water or the Highcroft system well water.

In order to effect this change, the utility plans to install a larger pump at the Highcroft well, to overhaul the well during 1959 and to install an additional line or lines interconnecting the Highcroft and Summer Home Park areas as soon as practicable thereafter. The total cost of these improvements is estimated by applicants to be approximately \$2,000, of which the changes associated with the well will amount to about \$1,350.

Another improvement which the utility plans for 1959 consists of the elimination of a dead end line on Oak Road at a cost of about \$100. This change is expected to improve the pressure situation in that location, which has been the cause of some consumer dissatisfaction.

In addition to the foregoing, the staff recommends that an interconnection be made in the Highcroft area between the 1½-inch line supplying five customers which now ends at the Chandler property and the portion of ¾-inch and ½-inch line supplying customers Hofmeister, Sawyer and King. The staff further recommends that this

portion of the 3/4-inch and 1/2-inch line, which is in poor condition as well as undersized, be replaced under the circumstances here found by a pipeline of not less than 1½-inches in diameter, although a line larger than 2 inches is indicated from the Commission's General Order No. 103. It appears that there are about 500 feet of 1½-inch galvanized pipe, mostly above ground and in good condition, no longer in use and located near the concrete reservoir in the Summer Home Park area that could be used for this interconnection and replacement at a relatively nominal cost.

The estimated costs of improvements at the Highcroft well, elimination of the dead end line on Oak Road and interconnection of the two distribution lines in the Highcroft area have been included in the staff's summary of results of operation. In the staff's opinion these changes will not only improve the quality of the water but will also increase some of the low pressures, particularly in the Highcroft area along River Road and in the Summer Home Park area in the vicinity of Oak Road. In addition, a more adequate standby for peak load or emergency conditions will become available if the Highcroft well becomes the main source of supply for the entire system, with the Russian River pump as the secondary source and principal standby.

The staff's investigations revealed certain other service deficiencies, mainly in connection with inadequate pressure at the higher elevations. Some of the customers at elevations approximately the same as, or even higher than, the storage facilities have found it necessary to install small booster pumps in order to obtain a supply of water. However, it appears that a major revamping of the system would be necessary to eliminate these conditions which would not be economically justified at this time.

Summary of Showings

In Exhibit D of the application, applicants show a rate of return summary for the first eight months of 1958 at present rates, as recorded, and for the year 1959 estimated at the rates proposed. The staff did not develop a rate of return for the first eight months of 1958, but did develop rates of return for the year 1959 estimated, at both present rates and the utility's proposed rates. The staff's estimate reflects the full year effect of the inclusion in rate base and expenses of its recommended improvements, hereinafter required in ordering Paragraph 3, and is based on a physical examination of the utility's properties, its operations, and a review of data furnished by the utility in its annual reports to this Commission.

The staff's estimate of results of operation for the year 1959 is summarized in the following tabulation:

<u>Item</u>	<u>Year 1959 Estimated</u>	
	<u>Present Rates</u>	<u>Applicants' Proposed Rates</u>
Operating Revenues	\$3,800	\$4,710
Operating Expenses	3,360	3,360
Taxes	250	370
Deprcciation	400	400
Total Expenses	4,010	4,130
Net Revenue	(210)	580
Average Weighted Depreciated Rate Base	9,920	9,920
Rate of Return	Loss	5.8%

(Red Figure)

Findings and Conclusions

The results of operation as developed by the Commission's staff herein clearly show that the present rates are deficient and

that the rates proposed by applicants will not produce an excessive or unreasonable return on their investment.

The Commission finds and concludes that the staff's estimate of revenues, expenses and rate base as hereinbefore developed reasonably represents the results of applicants' operations for the year 1959. The increased rates hereinafter authorized are expected to produce a net revenue of \$580 after allowance for all reasonable operating expenses, taxes and depreciation. This net revenue represents a rate of return of approximately 5.8 percent on a depreciated rate base of \$9,920, which rate base and rate of return are hereby adopted as reasonable for the purpose of this decision.

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

Some of applicants' customers have indicated that they believe that their present bills are excessive for the few weeks or months during which they occupy their summer homes, and consequently they are opposed to any increase in rates. It should be obvious, however, that a water system must be constructed and maintained in such a manner that the total demands of all customers may be met. It cannot be expanded during periods of peak demand and contracted when demands are low, nor can year-round maintenance and repairs be neglected if the system is to continue to serve its customers. The total reasonable expenses to operate and maintain the system must be regained through the total revenues collected. Many expenses, such as maintenance, taxes and depreciation, continue whether the customers are there or not.



Applicants will be required to furnish satisfactory service and in return are entitled to an opportunity to earn a reasonable return on their investment. The costs of operation included in the above-adopted expense allowance are no more than reasonable and compare favorably with those of other water utilities of similar size and character.

It is apparent that the improvements hereinafter ordered to be made will not entirely eliminate the deficiencies in this system, but they represent material steps to that end. It will be necessary to install an additional line interconnecting the Highcroft and Summer Home Park areas before the Highcroft well can supply the entire system requirements during peak periods. This should be done as soon as practicable after completion of the improvements hereinafter required to be made by August 1, 1959. Applicants are urged to also make the necessary pressure checks and studies for eventual elimination of the low pressure problems at the higher elevations.

O R D E R

The Commission having considered the request of applicants and being of the opinion that a public hearing is not necessary, therefore,

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

IT IS ORDERED that:

1. Applicants 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 said rates effective for all service rendered on and after May 1, 1959.

2. Applicants, within sixty days after the effective date of this order, shall file with this Commission four copies of an up-to-date comprehensive map, drawn to an indicated scale not smaller than 100 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 system properties of applicants.

3. Applicants shall have installed and placed in operation the following improvements to their water system by not later than August 1, 1959 and, within fifteen days after the installation and placing in operation of each category of said improvements, shall notify the Commission in writing of the completion thereof:

- a. Replace the existing three horsepower pumping unit located at the Highcroft well with a pumping unit of not less than ten horsepower and overhaul the Highcroft well to supply the additional water required from this well for the principal requirements of the entire system.
- b. Eliminate the present dead end in the distribution system on Oak Road by a suitable interconnection with the existing 500-gallon storage tank on Upper Oak Road.
- c. Interconnect the 3/4-inch and 1/2-inch line supplying customers Hofmeister, Sawyer and King in the Highcroft area with the 1 1/2-inch line easterly thereof which now ends at the Chandler property, and replace the said 3/4-inch and 1/2-inch line with a line of not less than 1 1/2 inches in diameter.

4. Applicants shall submit in writing to the Commission, by not later than November 1, 1959, definitive plans, acceptable to the Commission, for the installation of an additional line or lines to

interconnect the Highcroft and Summer Home Park areas, including therein the sizes, lengths and locations of lines and the estimated cost thereof, and the date by which such work is planned to be completed.

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

Dated at San Francisco, California, this 7th day of April, 1959.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners

APPENDIX A  
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## Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated communities of Summer Home Park and Highcroft, and vicinity, situated adjacent to the Russian River approximately four miles northwesterly of Forestville, Sonoma County.

RATES

	<u>Per Meter Per Month</u>
Monthly Quantity Rates:	
First 400 cu.ft. or less, included in Annual Minimum Charge .....	\$ -
Next 1,000 cu.ft., per 100 cu.ft. ....	.35
Over 1,400 cu.ft., per 100 cu.ft. ....	.25
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter .....	<u>Per Meter Per Year</u> \$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.

2. The charge for water used in excess of the quantity allowed each month 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. 2

ANNUAL GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated communities of Summer Home Park and Highcroft, and vicinity, situated adjacent to the Russian River approximately four miles northwesterly of Forestville, Sonoma County.

RATE

Per Year

For each 3/4-inch service connection ..... \$30.00

SPECIAL CONDITIONS

1. The above flat rate applies to service during the 12-month period commencing January 1 and is due in advance.
2. Meters may be installed at the option of utility or customer in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service.