

ORIGINALDecision No. 59010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of the Bolsa Knolls Water Company,
(not incorporated), Clayton B. Neill,
owner, for authority to increase
water rates in the unincorporated
territory served near Salinas,
Monterey County, California.

Application No. 40939

Thomas K. Perry, for applicant.
Edward Francis, Mrs. Warren C. Bauer,
J. L. Little, and Andean Henderson,
protestants.
John E. Johnson and Harold H. Webster,
for the Commission staff.

O P I N I O N

On March 18, 1959, Clayton B. Neill, doing business as Bolsa Knolls Water Company, filed an application requesting authority to increase his rates for water service supplied in an unincorporated area some four miles north of Salinas, Monterey County. A public hearing was held before Examiner William L. Cole in Salinas on June 23, 1959, at which time the matter was submitted.

Description of Applicant's System

Applicant's system consists of two wells, two automatically controlled deep well turbine pumps, an automatically controlled booster pump, two 1,000-gallon pressure tanks, a 10,000-gallon surface storage tank, approximately 9,000 feet of distribution pipeline of various materials ranging in size from 3/4-inch to 6 inches in diameter, and services and meters for approximately 150 customers. From one well, water is pumped into one of the pressure tanks and thence into the pipeline system. The pressure control at this pump is set to limits approximately 25 to 50 psi. The other well discharges into

the 10,000-gallon surface storage tank from which the booster pump receives water for discharge into the distribution system through the second pressure tank. The booster control is set to limits of approximately 32 and 55 psi. At this second well, piping is arranged to permit the well pump to discharge directly into the distribution mains if necessary.

During the year 1958 the applicant served a total of 151 consumers, all on a metered basis.

Present and Proposed Rates

The applicant's present metered service rates together with rates he proposes are set forth in the following table:

		<u>Metered Service Rates</u>	
		<u>Per Meter</u>	<u>Per Month</u>
		<u>Present</u>	<u>Co. Proposed</u>
		<u>Rates</u>	<u>Rates</u>
Quantity Rates:			
First	600 cu.ft. or less	\$ 2.40	\$ -
Next	400 cu.ft., per 100 cu.ft. ..	.30	-
Next	2,000 cu.ft., per 100 cu.ft. ..	.25	-
Next	3,000 cu.ft., per 100 cu.ft. ..	.20	-
Over	6,000 cu.ft., per 100 cu.ft. ..	.15	-
First	500 cu.ft., or less	-	\$ 3.00
Next	500 cu.ft., per 100 cu.ft. ..	-	.40
Over	1,000 cu.ft., per 100 cu.ft. ..	-	.30
Minimum Charges:			
For	5/8 x 3/4-inch meter	\$ 2.40	\$ 3.00
For	3/4-inch meter	-	4.60
For	1-inch meter	3.60	6.50
For	1 1/2-inch meter	6.10	9.50
For	2-inch meter	8.60	17.00
For	3-inch meter	12.00	32.00
For	4-inch meter	18.00	62.00

With the exception of one customer served through a 3/4-inch meter, all service is through 5/8 x 3/4-inch meters.

The applicant's present rates were authorized by the Commission in 1953.

Actual and Estimated Results of Operations and Rate Base

Both the applicant and the staff introduced studies setting forth the applicant's utility plant and rate base. The applicant's study set forth an estimated end-of-year utility plant and rate base for 1959. The staff, on the other hand, estimated the average rate base for the year 1959. The estimated utility plant and rate base of the applicant and staff are set forth in the following table:

	<u>1959 Estimated</u>	
	<u>Applicant</u>	<u>Staff</u>
Utility Plant	\$37,020.69	\$35,610.00
Depreciation Reserve	(7,983.40)	(7,352.00)
Materials and Supplies	1,500.00	500.00
Working Cash	300.00	250.00
Due from Consumers	450.00	-
	<u> </u>	<u> </u>
Depreciated Rate Base	\$31,287.29	\$29,008.00

Both the applicant and the staff also introduced studies showing the actual results of operations for the year 1958 and estimated results of operations for the year 1959, using the proposed rates. These latter studies are summarized in the following table:

	<u>1959 Estimated</u>	
	<u>Applicant</u>	<u>Staff</u>
Operating Revenues	\$8,893.	\$9,120.
Operating Expenses	5,050.	5,070.
Taxes, other than income	490.	500.
Taxes, income	414.	500.
Depreciation	<u>1,280.</u>	<u>1,180.</u>
Total Expenses	\$7,234.	\$7,250.
Net Revenue	\$1,659.	\$1,870.

The applicant's studies showed a rate of return of 5.3 per cent on an end-of-year depreciated rate base of \$31,287.29 whereas the staff studies showed a rate of return of 6.4 per cent on an average depreciated rate base of \$29,000.

Findings and Conclusions Re Proposed Rates

The record demonstrates that the current rates will not permit of a profitable operation. Based upon this record we find that either rate of return based upon its respective rate base is reasonable and that the proposed increased rates, as shown above, are justified and that present rates insofar as they differ from the rates hereinafter prescribed are, for the future, unjust and unreasonable. ✓

Fire Hydrant Rates

The applicant also proposes to file in its tariffs, rates for public fire hydrant service. The applicant does not have rates presently on file for this type of service. The record shows that the area served by the system is located in a fire protection district, but that no hydrants are located in the area at the present time. The record does not show what effect these rates will have on the applicant's results of operations. For these reasons the Commission cannot determine whether or not these rates are reasonable. Therefore, the applicant will not be authorized to adopt these proposed rates for public fire hydrant service at this time.

Service Complaints

At the hearing in this matter a considerable amount of consumer dissatisfaction was voiced concerning the quality of service rendered by the applicant. It appears from the record that there exists a serious pressure problem in certain portions, if not all, of the system. Either for this or other reasons, service to certain consumers has been almost non-existent during certain periods of time. The record shows further that during certain periods of time, the minimum pressure required by the Commission's General Order No.103 has not been maintained at least in certain sections of the system. In this regard it is noted that the history of this system prior to the time the applicant purchased it in 1952 indicates that inadequate pressure has been a continual problem.

On the other hand, the record also shows that the applicant is attempting to improve and maintain the system. The applicant has just recently installed a new pump at an expense of \$3,425.39 and additional expenditures are contemplated.

Notwithstanding this fact, however, a situation where the water service for any consumer is not adequate to meet the barest necessities cannot be condoned and must be remedied. The Commission staff in an attempt to eliminate these pressure deficiencies has recommended that the applicant change its pump operating pressure control setting to a minimum of 40 psi at Well No. 2 and install a larger pressure tank at this location, or a pressure regulating valve to maintain 40 psi at the discharge line from the present pressure tank.

In this regard, the record shows that the applicant is an experienced hydraulics engineer. In addition to the present system, he owns two other water systems and also maintains a consulting engineering business. In view of this experience, it is the Commission's opinion that the applicant should make an independent determination as to what changes are necessary to eliminate this pressure problem. It is the Commission's opinion that the conclusions reached by the applicant concerning these necessary changes be submitted to the Commission and at the same time the applicant shall be ordered to submit a program for bringing these changes into effect. Such conclusions and program shall be docketed with the Commission. In reaching his conclusions, the applicant is to make whatever tests, pressure or otherwise, which he deems necessary. The applicant will be allowed forty-five days from the effective date of this decision to submit such conclusions and program to the Commission and an additional ninety days to complete such program.

The record also indicates that certain other administrative problems have arisen due apparently to the fact that service complaints or other matters requiring customer communication are handled by letter to a Salinas post office box or by means of a toll telephone call to the company's office in Carmel. The applicant does maintain a local bill collecting representative in the local grocery store. The Commission staff recommended in the interest of improved customer relations that the applicant should provide a copy of its tariff schedules to the local bill collecting representative for customer reference and that the telephone number through which service inquiries may be made should be included on the printed bill form.

The record also indicates that the applicant does not attempt to notify customers of plant shutdowns resulting in service interruptions even though the reason may be routine maintenance or construction of pipelines or other equipment. It appears to the Commission that when it is known that interruptions will take place in the future, reasonable notice of this fact should be given.

O R D E R

The above matter having been filed, public hearing having been held thereon, and the Commission being fully advised in the premises,

IT IS ORDERED:

1. That the applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule of rates attached hereto 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 October 1, 1959.

2. That within forty-five days after the effective date of this order, the applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, a revised tariff service area map acceptable to the Commission and sample copies of printed forms that are normally used in connection with service to its customers.

3. That within sixty days after the effective date of this order, the applicant shall file with this Commission four copies of a 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 local water system properties of the applicant.

4. That beginning with the year 1959, the applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.4 per cent. This rate shall be used until review indicates it should be revised. The applicant shall review the depreciation rate, using the straight-line remaining life method whenever major changes in depreciable plant 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 the Commission.

5. Within forty-five days after the effective date of issuance of this decision, the applicant shall determine what changes he deems are necessary to remedy the low pressure problem, hereinabove referred to, performing whatever tests, pressure or otherwise, which are necessary; and shall submit to the Commission within such forty-five day period, a report setting forth such changes together with the applicant's program for bringing these changes into effect. Within an additional ninety days thereafter applicant shall have completed said program and so advised the Commission in writing.

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

Dated at San Francisco, California, this 15th day of September, 1959.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Theodore F. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including the subdivisions known as Bolsa Knolls, San Juan Acres, Abel Tract, and vicinity, approximately four miles north of Salinas, Monterey County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 3.00
Next 500 cu.ft., per 100 cu.ft.40
Over 1,000 cu.ft., per 100 cu.ft.30
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.60
For 1-inch meter	6.50
For 1 1/2-inch meter	9.50
For 2-inch meter	17.00
For 3-inch meter	32.00
For 4-inch meter	62.00

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