

Decision No. 61202**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Alfred E. Augenstein and Mary Z.)
 Augenstein, husband and wife, dba)
 BUCKINGHAM PARK WATER SYSTEM, for)
 authority to increase the rates for)
 the water service rendered in the)
 Buckingham Park area, Lake County,)
 California.)

Application No. 41987
 (Amended)

O P I N I O N

In this application, filed February 25, 1960, and amended August 22, 1960, Alfred E. Augenstein and Mary Z. Augenstein, husband and wife, doing business as Buckingham Park Water System, request an order of the Commission authorizing an increase in rates and charges for water service in the community of Buckingham Park, Lake County. The utility supplies water to approximately 100 customers, all of whom are served on a metered basis. The rates proposed in the amendment are estimated to increase revenues overall about 67 per cent.

The application states that the schedule of rates as shown in the amendment is designed to develop sufficient revenue to provide maintenance, operation expenses and a reasonable rate of return and that revenues under present rates do not produce the yield necessary to cover operating expenses.

History of System

The initial portion of the water system was constructed in 1931 to serve Unit 1 of Buckingham Park. Additional water facilities were installed in Unit 3 when that portion of the tract was developed in 1947. During this period, the properties were owned by Buckingham Colonies, Limited, a corporation.

Application No. 36575, filed December 21, 1954, as amended March 10, 1955 and July 11, 1955, requested authority for Buckingham Colonies, Limited, to sell the water system to Alfred E. Augenstein and Mary Z. Augenstein, who joined in the application and further requested a certificate of public convenience and necessity and authority to establish rates for water service. The Commission issued its Decision No. 52007, on October 4, 1955, which authorized the transfer and granted a certificate of public convenience and necessity to Alfred E. Augenstein and Mary Z. Augenstein for the construction and operation of a water system and established rates.

By petition filed May 13, 1957, Alfred E. Augenstein and Mary Z. Augenstein, doing business as Buckingham Park Water Company, requested modification of Decision No. 52007. By Decision No. 55139, dated June 18, 1957, Decision No. 52007 was modified by deleting therefrom ordering paragraph No. 10 which required the installation of automatic water level controls.

Case No. 6120 was a complaint, filed on May 26, 1958, by Howard S. Springer, requesting that the Commission order Alfred E. and Mary Z. Augenstein to furnish water service to the complainant at a pressure of 30 pounds per square inch at all times. By Decision No. 57277, dated September 2, 1958, the defendants were ordered to provide water service to complainant, at the pressure available from defendants' upper tank.

Description of System

The source of water supply for this utility is Clear Lake. A centrifugal pump driven by a 5 hp motor draws water through a suction line extending into Clear Lake along a pier located on Lot 1, Block X of Unit 1. The water is then chlorinated and passed through a rapid sand filter. A centrifugal booster pump, driven by a 10 hp motor, then delivers the water through the distribution mains and ultimately boosts the water into a 25,000-gallon storage tank.

The 25,000-gallon storage tank is located about 245 feet above lake level. A redwood tank of 10,000 gallons capacity at an elevation of about 300 feet above lake level is supplied from the 25,000-gallon tank by a 3 hp motor and transfer pump. The 10,000-gallon tank supplies by gravity flow an upper pressure zone serving four customers, whereas the 25,000-gallon tank floats on the primary pressure zone.

The system is entirely metered and as of May 1, 1960, there were 100 customers. The distribution system contains approximately 26,000 feet of mains ranging in size from 2 inches to 6 inches in diameter. An employee, on a part-time basis, manually operates the three pumps, maintains the system, installs minor construction items, and reads the meters monthly. An office, provided by the utility in Buckingham Park for billing, collecting, service complaints and bookkeeping, is staffed by a second part-time employee.

Rates, Present and Proposed

The following tabulation is a comparison of applicants' present rates for metered service, which became effective November 22, 1955, and those proposed by the applicants herein.

		<u>GENERAL METERED SERVICE</u>	
		<u>Per Meter Per Month</u>	
<u>Quantity Rates</u>		<u>Present Rates</u>	<u>Proposed Rates</u>
First	600 cu.ft., or less	\$3.00	\$5.00
Next	600 cu.ft., per 100 cu.ft....	.40	.65
Next	3,800 cu.ft., per 100 cu.ft....	.35	.55
Over	5,000 cu.ft., per 100 cu.ft....	.25	.40
		<u>Per Meter Per Year</u>	
<u>Minimum Charge:</u>		<u>Present Rates</u>	<u>Proposed Rates</u>
For	5/8 x 3/4-inch meter	\$ 36.00	\$ 60.00
For	3/4-inch meter	48.00	84.00
For	1-inch meter	72.00	132.00
For	1 1/2-inch meter	120.00	240.00
For	2-inch meter	192.00	360.00
For	3-inch meter	300.00	540.00

No increase in the present public fire hydrant rate of \$1 per hydrant per month was requested in the application. The existing 26 hydrants are not revenue-producing because the Kelseyville Big Valley Fire District does not use this service.

Field Investigations

A field investigation of the records kept by this utility was made by a financial examiner of the Commission's staff. It was ascertained that certain appropriate adjustments to the depreciation reserve had been properly recorded. These adjustments resulted principally from a staff engineering periodic review in 1958 of this utility's application of the straight-line remaining life method of depreciation accrual.

An additional field investigation of applicants' operation and physical plant was made by a Commission staff engineer during June, 1959. The staff reviewed the operation of the pumping units, the filter installation and the chlorination plant. The water at the pump was clear and did not have any obnoxious odor or taste. Customers were interviewed and a check indicated that operating pressure is maintained at between 33 and 55 pounds per square inch throughout the distribution system. It was observed that customer complaints are not being properly processed, in that they are not being registered and customers are not adequately informed as to the utility's disposition of the complaint.

A field investigation of this utility was made by the State Department of Public Health during September, 1960. A copy of the report of this investigation is hereby made a part of the record in this matter as Exhibit No. 1. This investigation disclosed that the volume of water used in the backwash process of the sand filters should be doubled, that there should also be a regular backwash program and that the cover of the 10,000-gallon storage tank should be adequately repaired or replaced. With respect to customer complaints as

to low pressures, taste and odor, further tests showed that the pressure of the water was adequate, the chlorine residual in the water was satisfactory, and the water served by this utility was within acceptable purity limits.

Samples of the water are forwarded periodically on a routine basis to an approved laboratory for bacteriological examination. Review by staff engineers of reported test results of these samples indicate that the water has been of acceptable quality for the past 18 months.

Customer Response

Following the staff's field investigations, a letter was sent to each of applicants' customers on August 31, 1960. This letter provided the customers with information concerning the present rates and the requested rates, together with a comparison of earnings at both of these schedules of rates for the adjusted year 1959 and estimated year 1960. The customers were asked for any comments they wished to make.

In connection with the 98 letters sent to the customers, 15 answers were received. The following tabulation shows the number and type of complaints as indicated in these letters.

Requested Hearing	2 (a)
Proposed Rates Too High	6
Desire Seasonal Rates	2
Dirty Water	2
Bitter Taste	3
Offensive Odor	2
Outages	1 (b)
Haul Own Drinking Water	5
Low Pressure	2

(a) Buckingham Park Owners, Ltd., requested a hearing, but after their study of the company's books, a subsequent letter retracted the request for hearing.

(b) One customer complained of 3 outages in 1960.

Summary of Showings

The staff developed rates of return for the year 1959 adjusted and the year 1960 estimated at both the present rates and the revised proposed rates as presented in the amendment to the application. The rate bases determined by the staff include an amount of \$250 for estimated materials and supplies, an allowance of \$500 for working cash, and normal plant additions.

The applicants have adopted the results of operation as developed by the staff for this utility for the adjusted year 1959 and the estimated year 1960, as shown on page 4 of the amendment to the application and as set forth in the following tabulation:

SUMMARY OF EARNINGS

	<u>Adjusted 1959</u>		<u>Estimated 1960</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 5,000	\$ 8,335	\$ 5,100	\$ 8,500
Deductions				
O & M Expenses	5,595	5,595	5,655	5,655
Taxes (Other Than on Income)	585	585	595	595
Depreciation	880	880	900	900
Income Taxes	-	265	-	290
Total	7,060	7,325	7,150	7,440
Net Revenue	(2,060)	1,010	(2,050)	1,060
Depreciated Rate Base	17,700	17,700	17,400	17,400
Rate of Return	Loss	5.7%	Loss	6.1%

(Red Figure)

Applicants' concurrence with the staff's results is indicated in two letters dated November 4 and November 9, 1960, respectively, which are hereby made a part of the record in this matter as Exhibits Nos. 2 and 2-A.

Findings and Conclusions

Both applicants' and staff's showings clearly indicate that the present rates are deficient and we so find.

After considering the record, it is our opinion, and we so find, that applicants are entitled to rate relief, and that an order should be issued that will result in increased revenues in an over-all amount of approximately \$3,400 annually. This authorization will result in an increase in gross revenues of about 67 per cent.

The Commission finds and concludes that rates substantially as proposed in the amended application will not be excessive or unreasonable. Using estimated revenues of \$8,500 and estimated expenses of \$7,440, the rates hereinafter authorized will result in a rate of return of approximately 6.1 per cent on a depreciated rate base of \$17,400, which return and rate base we hereby adopt and find reasonable for the purposes of this decision.

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

During the field investigations by the Commission's engineering staff it was ascertained that records of customer complaints and the disposition thereof are seriously deficient and are not maintained in the manner required by the Commission. Applicants are placed on notice to maintain a proper record of customer complaints in conformity with General Order No. 103.

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 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 January 1, 1961.

2. 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 and acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map and sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and sample forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within forty-five 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.

4. Beginning with the year 1960, applicants shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.5 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.

5. On or before January 1, 1961, applicants shall have repaired or replaced the present roof on the top of the 10,000-gallon tank with a suitable roof that will protect the stored water. Within ten days after the completion of this installation, applicants shall notify the Commission thereof in writing.

6. On or before January 1, 1961, applicants shall institute and submit in writing to this Commission a definite program that will provide for periodic backwashing of the water supply intake filter system with a flow of backwash water of at least 500 gallons per minute, and shall report the date of initial application of this operating procedure within ten days thereafter.

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

Dated at San Francisco, California, this 13th day of December, 1960.

Robert A. Foye
President
W. L. Mitchell
E. L. Fox
Theodore Jenner
Commissioners

Since this has involved a very substantial rate increase I dissent on the ground that all reports ~~being~~ used not a public hearing is not in the public interest.
Walter J. Jones

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Buckingham Park at Clear Lake, located approximately 9 miles northeast of Kelseyville, Lake County.

RATES

Monthly Quantity Rates	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft., or less	\$5.00
Next 600 cu.ft., per 100 cu.ft.65
Next 3,800 cu.ft., per 100 cu.ft.55
Over 5,000 cu.ft., per 100 cu-ft.40

Annual Minimum Charge:	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter	\$ 60.00
For 3/4-inch meter	84.00
For 1-inch meter	132.00
For 1 1/2-inch meter	240.00
For 2-inch meter	360.00
For 3-inch meter	540.00

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

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1, and are due in advance.
2. The charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative, monthly consumption basis.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Buckingham Park at Clear Lake, located approximately 9 miles northeast of Kelseyville, Lake County.

RATE

Per Month

For each hydrant \$1.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.