

Decision No. 62193**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 GEORGE D. POLLOCK, doing business as
 the East Monterey Water Service, for
 authority to increase rates for water
 service.

Application No. 42993

George D. Pollock, applicant.
Myron B. Haas and C. T. Mess, for Monterey Peninsula
 Municipal Water District; E. J. Arsenault, for
 residents of Andrew Court; Mrs. Clyde Stowell in
 her own behalf and for Clyde Stowell and Mrs. Noel
Bouchea, interested parties.
Saul M. Weingarten, for City of Seaside, protestant.
David F. LaRue and R. J. Leonard, for the Commission
 staff.

O P I N I O NApplicant's Request

George D. Pollock, doing business as East Monterey Water Service, filed this application on December 23, 1960, requesting authority to increase rates for water service provided in part of the City of Seaside, part of Sand City and certain adjacent unincorporated areas in Monterey County. Under the rates proposed applicant's gross revenues would be increased in the annual amount of approximately \$17,000, or by about 15%.

Public hearings were held before Commissioner George G. Grover and Examiner James F. Maley at Monterey on April 26 and 27, 1961. The matter was taken under submission upon the receipt by the Commission of late-filed Exhibit No. 4 on May 11, 1961.

Description of Water System

The source of water supply consists of 10 producing wells each of which is equipped with a manually controlled, electrically powered pump. The system has three booster pumping plants which provide pressure to fill nine elevated storage tanks aggregating 972,000 gallons in capacity. Untreated water is distributed through some 224,000 feet of mains, about half of which are two inches or under in diameter. At the beginning of 1961, 59 hydrants and 2,510 services were connected to the system. All but 297 of these services were metered.

Applicant's Earnings

The following tabulation compares the results of the utility's operation for the year 1960 at present and proposed rates as presented by the applicant and the Commission staff:

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
Operating Revenues	\$112,410	\$110,950	\$127,810	\$128,100
Operating Expenses	72,675	72,700	72,670	72,700
Depreciation Expense	12,808	14,700	12,808	14,700
Taxes Other Than Income	<u>10,600</u>	<u>12,400</u>	<u>10,600</u>	<u>12,370</u>
Subtotal	\$ 96,083	\$ 99,800	\$ 96,078	\$ 99,770
State Income Tax	-	-	-	580
Federal Income Tax ^{1/}	<u>668</u>	<u>-</u>	<u>5,288</u>	<u>4,850</u>
Total Expenses	<u>\$ 96,751</u>	<u>\$ 99,800</u>	<u>\$101,366</u>	<u>\$105,200</u>
Net Revenue	15,659	11,150	26,444	22,900
Avg. Depr. Rate Base	360,404	319,800	360,404	319,800
Rate of Return	4.3%	3.5%	7.3%	7.2%

^{1/} In conformity with Decision No. 59926, dated April 12, 1960, in Case No. 6148, the income taxes shown were computed on an "as paid" basis using straight-line depreciation.

Rate of Return

The staff's figures confirm applicant's allegations that he is not earning a fair rate of return at present rates and is entitled to rate relief. The two presentations are in close agreement as to the over-all rate of return which applicant would realize at the increased level of rates proposed, applicant estimating 7.3% and the staff 7.2%. Accordingly, we find it reasonable to conclude that the proposed rates would yield approximately 7 $\frac{1}{2}$ % on the basis of the test year 1960. Considering the evidence regarding the decline in earnings which the utility has experienced over the past years, we find that the proposed rates would, for the future, yield applicant approximately 7 percent, which rate of return we find to be fair and reasonable for the utility's operation based upon the record in this proceeding.

Authorized Rates

The authorization herein will increase the average monthly water bill of a typical residential user by \$0.56, from \$3.90 at present rates to \$4.46 at authorized rates, or by approximately 14%. The specific rates proposed by applicant, which will be authorized herein, are shown in Appendix A attached hereto and made a part of this opinion and order. The tabulation following presents a comparison of present and authorized rates for general metered service.

General Metered Service

Quantity Rates:	Per Meter Per Month		
	Present:	Authorized:	Increase:
	Rates	Rates	
First 500 cu.ft. or less	\$ 1.80	\$ 2.10	\$ 0.30
Next 1,000 cu.ft., per 100 cu.ft.	.25	.23	0.03
Next 3,500 cu.ft., per 100 cu.ft.	.20	.23	0.03
Next 5,000 cu.ft., per 100 cu.ft.	.17	.19	0.02
Over 10,000 cu.ft., per 100 cu.ft.	.14	.16	0.02

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 1.80	\$ 2.10	\$ 0.30
For 3/4-inch meter	2.50	3.00	0.50
For 1-inch meter	4.00	4.75	0.75
For 1 1/2-inch meter	7.00	8.00	1.00
For 2-inch meter	10.00	12.00	2.00
For 3-inch meter	-	20.00	-
For 4-inch meter	-	40.00	-
For 6-inch meter	-	75.00	-

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

The order herein will require applicant to complete the metering of all existing flat rate customers by the end of 1965. As an interim measure, the order will also require applicant to file a temporary tariff schedule for flat rate service at other than the 3/4-inch single residence rate, to provide for the larger diameter flat rate services now being charged minimum meter rates.

Service

The staff's investigation and the testimony of two public witnesses indicate that serious service deficiencies exist in parts of the area served by the system. The principal cause of complaint is low pressure, particularly in the higher parts of applicant's service area. Sand and air in the water are also causes of complaint.

The staff recommended a number of plant improvements for overcoming the deficiencies and bettering the service. These improvements, which applicant agreed upon the record to make, are

listed in Appendix B attached hereto and made a part of this decision. The order herein will require applicant to make these improvements, which we find to be necessary to overcome existing service deficiencies.

The staff investigation also brought to light a number of aspects in which applicant is not operating in compliance with his filed tariffs. The staff's recommendations for improving the administration of applicant's tariffs are also listed in Appendix B. The order will require applicant to effect the improvements in tariff administration so listed.

Position of the City of Seaside

The City of Seaside, through its City Attorney, appeared as a protestant in this proceeding. The City introduced in evidence, as Exhibits Nos. 4A through 4F, six use permits which it had granted to applicant in connection with the construction of water plant. According to the City, applicant has not complied with certain provisions and conditions of the permits relating primarily to landscaping and safety. The order herein will require applicant to submit to the Commission, and carry out, a program for complying with the requirements of the use permits granted by the City of Seaside.

Findings and Conclusions

The Commission has carefully weighed all the evidence of record. The action taken herein will produce an over-all result which will be fair and reasonable. We find, therefore, that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

O R D E R

George D. Pollock, doing business as East Monterey Water Service, having applied for an order authorizing increased rates and charges, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with the Commission, on or after the effective date of this order, and in conformity with the provisions of General Order No. 96, revised tariff schedules with rates, charges, and conditions modified as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for all service rendered on and after August 1, 1961.

2. Applicant shall accomplish, without unnecessary delay, the service improvements listed in Appendix B attached hereto. Applicant shall report to the Commission in writing within fifteen days after the accomplishment of each of the listed improvements.

3. Within thirty days after the effective date of this decision, applicant shall submit a written report to this Commission specifying, in detail and item by item, a program, acceptable to this Commission, of the dates and manner in which he will accomplish the following:

- a. Compliance with paragraph No. 2 of this order.
- b. Compliance with the provisions and conditions of Use Permits Nos. 9, 10, 16, 95, 198 and 199 of the City of Seaside.

4. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission,

in conformity with the provisions of General Order No. 96, and in a form 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 service to his customers. 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.

5. Within 180 days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 400 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 applicant.

6. Beginning with the year 1961, applicant shall compute accruals to the depreciation reserve by spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the depreciation rates shown for each plant account in Table 7A of Exhibit No. 2 of the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicant shall review the depreciation rates when major changes in plant

composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

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

Dated at San Francisco, California, this 27th day of JUNE, 1961.

Charles A. Long
President
W. J. ...
...
George L. ...
Frederick B. Hallock
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The Cities of Seaside and Sand City, and vicinity, Monterey County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 2.10
Next 1,000 cu.ft., per 100 cu.ft.28
Next 3,500 cu.ft., per 100 cu.ft.23
Next 5,000 cu.ft., per 100 cu.ft.19
Over 10,000 cu.ft., per 100 cu.ft.16
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.10
For 3/4-inch meter	3.00
For 1-inch meter	4.75
For 1 1/2-inch meter	8.00
For 2-inch meter	12.00
For 3-inch meter	20.00
For 4-inch meter	40.00
For 6-inch meter	75.00

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

APPENDIX A
Page 2 of 3

Schedule No. 2LX

LIMITED TEMPORARY FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The Cities of Seaside and Sand City, and vicinity, Monterey County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For each 3/4-inch service connection	\$ 2.50
For each 1-inch service connection	4.75
For each 1½-inch service connection	8.00
For each 2-inch service connection	12.00
For each 4-inch service connection	40.00

SPECIAL CONDITIONS

1. Service under this schedule will be limited to the premises being served hereunder as of the effective date of this tariff sheet, and will be furnished to these premises only until such time as a meter is installed.

2. This schedule will be effective only to and including December 31, 1965, and will thereafter be withdrawn.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The Cities of Seaside and Sand City, and vicinity, Monterey County.

RATE

	<u>Per Month</u>
For each hydrant	\$3.00

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.

APPENDIX B
Page 1 of 2

Recommendations of the Commission Staff

1. Plant Improvements

- a. Completion of pumping plant at Station 1.
- b. Installation of centrifugal sand extractor at Station 4.
- c. Installation of well and pumping plant at Station 13.
- d. Installation of 600 feet of 6" A.C. pipe in unnamed alley near Fremont Boulevard.
- e. Installation of booster pump at Station 12.
- f. Completion of the metering of all existing flat rate customers by the end of 1965.
- g. Improvement of pumping efficiencies at Stations Nos. 2, 3 and 5 at the three wells which are substandard in performance.
- h. Institution of a regular program for overhauling and testing all nonregistering meters.
- i. Conducting of pressure surveys at or near the areas of maximum usage as specified in General Order No. 103, Section II.3.c.
- j. Disinfection of all newly installed facilities before connection to the water system, by the methods approved by the Department of Public Health, State of California.
- k. Institution of a regular program of flushing mains which have dead ends.
- l. Arrangement with the manufacturer to calibrate the master meter and maintenance of records of overhauled and tested meters, including the results of testing against the master meter.

APPENDIX B
Page 2 of 22. Tariff Administration Improvements

- a. Maintenance of his tariff files up to date, in order and readily available for public inspection at the main office of the utility.
- b. Inclusion on the customer bill form, when first reprinted for purposes of supply replenishment, of the information that disputed amounts billed may be deposited with this Commission as outlined in Tariff Rule No. 53.
- c. Refunding of, with any interest due, the outstanding deposits of customers who have established their credit.
- d. Inclusion on the deposit receipt form, when first reprinted for purposes of supply replenishment, of the information specified in Tariff Rule No. 5C that the deposit is refundable either upon discontinuance of service or 12 months of continuous service and payments of bills within an average of 15 days of receipt.
- e. Adherence to the provisions of Tariff Rule No. 15, Main Extensions, with respect to obtaining advances from subdividers and contractors for installation of mains and services when extending to serve a new subdivision, tract, housing project, industrial development or organized service district.
- f. Filing with the Commission of either a sample copy of a standard form of main extension agreement or submission to the Commission of individual agreements for approval.
- g. Compliance with all of his filed rates and tariff rules in computing all charges for water service.